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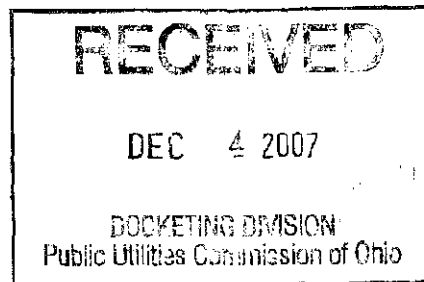


The Public Utilities
Commission of Ohio

A report by the Staff of the
Public Utilities Commission of Ohio

FirstEnergy
Cleveland Electric Illuminating Company

Case Nos. 07-551-EL-AIR
07-552-EL-ATA
07-553-EL-AAM
07-554-EL-UNC



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STAFF'S REPORT
OF
INVESTIGATION

In the Matter of the Application of Ohio	)	
Edison Company, The Cleveland Electric	)	Case No. 07-551-EL-AIR
Illuminating Company and The Toledo	)	Case No. 07-552-EL-ATA
Edison Company for Authority to Increase	)	Case No. 07-553-EL-AAM
Rates for Distribution Service, Modify	)	Case No. 07-554-EL-UNC
Certain Accounting Practices and for	)	
Tariff Approvals.	)	

Submitted
to
The Public Utilities Commission

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Edison Company, The Cleveland Electric	)	Case No. 07-551-EL-AIR
Illuminating Company and The Toledo	)	Case No. 07-552-EL-ATA
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Rates for Distribution Service, Modify	)	Case No. 07-554-EL-UNC
Certain Accounting Practices and for	)	
Tariff Approvals.	)	

Alan R. Schriber, Chairman
Paul A. Centolella, Commissioner
Ronda Hartman Fergus, Commissioner
Valerie A. Lemmie, Commissioner
Donald L. Mason, Commissioner

To The Honorable Commission:

In accordance with the provisions of R.C. Section 4909.19, the Commission's Staff has conducted its investigation in the above matter and hereby submits its findings in the within Staff Report.

The Staff Report has been jointly prepared by the Commission's Utilities Department and Service Monitoring and Enforcement Department.

In accordance with R.C. Section 4909.19, copies of the Staff Report have been filed with the Docketing Division of the Commission and served by certified mail upon the mayors of all affected municipalities and other public officials deemed representative of the service area affected by the application. A copy of said report has also been served upon the utility or its authorized representative. Interested parties are advised that written objections to any portion of the Staff Report must be filed within thirty (30) days of the date of the filing of said report after which time the Commission will promptly set this matter for public hearing. Written notice of the time, place, and date of such hearing will be served upon all parties to the proceeding.

The Staff Report is intended to present for the Commission's consideration the results of the Staff's investigation. It does not purport to reflect the views of the Commission nor should any party to said proceeding consider the Commission as bound in any manner by the representations or recommendations set forth therein. The Staff Report, however, is

legally cognizable evidence upon which the Commission may rely in reaching its decision in this matter. (See *Lindsey v. Pub. Util. Comm.*, 111 Ohio St. 6 (1924))

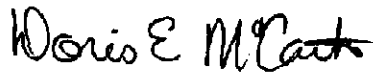
Respectfully submitted,

Utilities Department

A handwritten signature in black ink, appearing to read "Steven R. Brennen", with a long horizontal flourish extending to the right.

Steven R. Brennen
Director

Service Monitoring and Enforcement Department

A handwritten signature in black ink, appearing to read "Doris E. McCarter", with a stylized, cursive script.

Doris McCarter
Director

STAFF ACKNOWLEDGEMENTS

The Staff Report components reflect the results of investigations conducted by the Staff of the Applicant's rate application. The Staff person responsible for each component is shown below:

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Rates and Tariffs	Robert Fortney
Management and Operations Review	Frank Rack

Service Monitoring and Enforcement Department

Reliability and Service Analysis Division	Peter Baker
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Facilities and Operations Division	Mario Scaramellino

TABLE OF CONTENTS

	Page
BACKGROUND.....	1
OPERATING INCOME AND RATE BASE	3
Scope of Investigation	3
Revenue Requirements	4
Rate Base	4
Allocation	8
Operating Income	9
RATE OF RETURN	15
RATES AND TARIFFS	18
SERVICE MONITORING AND ENFORCEMENT.....	57
MANAGEMENT AND OPERATIONS REVIEW	82
AMI/SMART METERING/MODERN GRID	90
SCHEDULES	
A-1 Overall Financial Summary	92
A-1.1 Computation of Gross Revenue Conversion Factor	93
B-1 Jurisdictional Rate Base Summary	94
B-2 Plant in Service by Major Groupings	95
B-2.1 Plant in Service by Accounts and Subaccounts	96
B-2.2 Adjustments to Plant in Service	101
B-2.2a Transmission Land Plant Adjustment	106
B-2.2b Vehicle Plant Adjustment	107
B-2.2c Vehicle Plant Reclassifications	108
B-3 Reserve for Accumulated Depreciation.....	109
B-3.1 Adjustments to Depreciation Reserve.....	114
B-3.1a Transmission Land & Land Rights Reserve Adjustment.....	119
B-3.1b Vehicle Reserve Adjustment.....	120
B-3.1c Vehicle Reserve Reclassifications	121
B-3.2 Depreciation Accrual Rates and Jurisdictional Reserve Balances by Accounts	122
B-3.2a Accrual Rate Comparison	126
B-4 Construction Work in Progress	128
B-5 Allowance for Working Capital	129
B-5.1 Cash Working Capital	130
B-6 Other Rate Base Items Summary	131
B-7 Jurisdictional Allocation Statistics	136
C-1 Jurisdictional Proforma Income Statement	138

TABLE OF CONTENTS **(Continued)**

	Page
C-1.1 Proforma Adjustment	139
C-2 Adjusted Test Year Operating Income	140
C-3 Summary of Jurisdictional Adjustments to Operating Income.....	141
C-3.1 Revenue Adjustment.....	143
C-3.2 Adjustments for Labor Expense Annualization	144
C-3.3 Miscellaneous Operation and Maintenance Expense Adjustment ...	145
C-3.4 Depreciation Expense Adjustment	146
C-3.5 Adjustment for Amortization of Regulatory Assets.....	147
C-3.6 Adjustment for Pension and OPEB Expense	148
C-3.7 Social and Service Club Dues Adjustment.....	149
C-3.8 Federal, State & Local Income Tax Adjustment.....	150
C-3.9 PUCO & OCC Expense Adjustment	151
C-3-10 Taxes Other Than Income Adjustment	152
C-3-10a Calculation of Property Taxes	153
C-3-10a1 Calculation of Personal Property Taxes.....	154
C-3-10a2 Calculation of Real Property Taxes.....	155
C-3-10b Calculation of Commercial Activity Taxes	156
C-3-10c Calculation of KWH Taxes	157
C-3-10d Calculation of FICA Taxes	158
C-3-10e Calculation of Federal Unemployment Taxes	159
C-3-10f Calculation of State Unemployment Taxes	160
C-3-10g Calculation of PUCO & OCC Assessments	161
C-3-10h Calculation of Miscellaneous Taxes.....	162
C-3-11 Vehicle Lease Costs	163
C-3-12 Uncollectible Expense Adjustment.....	164
C-3-13 Amortization Associated with Deferred Tax Balance True-up.....	165
C-3-14 Advertising Expense Adjustment	166
C-3-15 Other Electric Revenue Adjustment.....	167
C-3-16 Interest on Customers' Deposits	168
C-3-17 Rate Case Expense Adjustment.....	169
C-3-18 Forfeited Discounts Revenue Adjustment	170
C-4 Adjusted Jurisdictional Income Taxes.....	171
D-1 Rate of Return Summary	176
D-1.1 Equity Issuance Cost Adjustment	177
D-1.2 DCF Cost of Equity Estimate	178
D-1.3 CAPM Cost of Equity Estimate	180
D-1.4 Growth in U.S. Gross National Product, 1929 to 2005	182

BACKGROUND

The Applicant, The Cleveland Electric Illuminating Company (Company or CEI), was incorporated in Ohio on September 24, 1892, as The Cleveland General Electric Company, the present name was adopted on July 21, 1894. On April 29, 1986, an agreement was approved to merge with The Toledo Edison Company, forming the Centerior Energy Corporation. In 1997, Centerior Energy Corp. merged with Ohio Edison Company and its subsidiary, Pennsylvania Power, to create the FirstEnergy Corp. (FE), headquartered in Akron, Ohio.

The Applicant is a public utility and an electric light Company providing retail distribution services to approximately 762,000 customers in northeastern Ohio, including Greater Cleveland, extending about 100 miles along the south shore of Lake Erie, west from the Ohio-Pennsylvania border. The Applicant's service territory includes communities primarily in the counties of Cuyahoga, Lake, Geauga, Ashtabula, and Lorain, with minor service in four other contiguous counties.

The Applicant's current distribution rates were part of the bundled rates established in its last base rate proceeding, Case No. 95-300-EL-AIR. The Applicant's operation as a vertically integrated utility encompassing generation, transmission, and distribution functions was the basis for the bundled rates.

On June 22, 1999, the Ohio General Assembly passed Amended Substitute Senate Bill No. 3 of the 123rd General Assembly (S.B. 3). Senate Bill 3 restructured the electric utility industry and provided for electric utilities to file a transition plan that included unbundling electricity rates into generation, transmission, and distribution components. Senate Bill 3 further provided for a Market Development Period (MDP), January 1, 2001 through December 31, 2005, to allow a competitive market to develop for the generation function. Unbundled distribution rates were to remain unchanged during the MDP. The Governor signed the legislation on July 6, 1999 and it became effective on October 5, 1999.

In accordance with S. B. 3, the Commission issued an opinion and order on July 19, 2000, approving and modifying the stipulation and recommendation with regard to the Applicant's electric transition plan, Case No. 99-1212-EL-ETP. The Commission authorized base electric distribution rates, as unbundled, to remain frozen beyond the MDP through December 31, 2007.

The Commission, by its Entry in Case No. 03-1461-EL-UNC, encouraged the Applicant to develop plans which balanced rate certainty, financial stability for the distribution utility and further the development of the competitive market. On October 21, 2003, the Applicant filed a Rate Stabilization Plan (RSP) in Case No. 03-2144-EL-ATA in response to the Commission's request. Under the RSP, distribution rates were to

remain frozen through December 31, 2007, except for revenues to recover costs related to changes in laws, environmental compliance, taxes, emergencies and reliability.

On September 9, 2005, the Applicant filed a Rate Certainty Plan (RCP) in Case No. 05-1125-EL-UNC, et seq. The rate-certainty plan, among other things, intended to maintain level distribution rates for 2006 through 2008.

On May 8, 2007, the Applicant filed a notice of intent to file an application to increase rates for electric distribution service in its entire service territory. The Applicant requested that its test period begin March 1, 2007, and end February 29, 2008, and that the date certain be May, 31, 2007. The Commission approved the Applicant's requested test year and date certain by its entry of May 30, 2007.

On June 7, 2007, the Applicant filed an application to increase distribution rates. By entry dated August 1, 2007, the Commission ordered that the application be accepted as of June 7, 2007.

The rates proposed by the Applicant for increase, when applied to test year sales volumes, would generate \$108,598,923 of additional base distribution revenues or an increase of 24.59%

OPERATING INCOME AND RATE BASE

SCOPE OF INVESTIGATION

The scope of the investigation was designed to determine if the Applicant's filed exhibits concerning operating income, rate base and other data are reasonable for ratemaking purposes, and if the financial and statistical records supporting the data can be relied upon. The Staff interviewed Applicant's key management personnel and reviewed both internal and published financial reports to assure understanding of the Applicant's operation and organization. The Staff's investigation of test year operating income and date certain rate base included a review of the Applicant's budget and forecasting techniques, verification of the operating revenue computation, and an examination of the Applicant's continuing property records. In addition, the existence and the used and useful nature of the assets were verified through physical inspections. Other independent analyses were performed as the Staff considered necessary under the circumstances.

The Staff reviewed and analyzed the Applicant's proposed adjustments to operating income and rate base and traced them to supporting work papers and to source data. As a result of its review and analysis, the Staff accepted some of the proposed adjustments as appropriate, changed some proposed adjustments using alternative approaches, and proposed new adjustments as required to make the test year operating income and date certain rate base consistent with sound regulatory accounting practices, more representative of normal operations and appropriate for ratemaking purposes.

The purpose of the Staff's investigation was to develop financial data for ratemaking purposes; it was not intended to provide a basis for expressing an opinion on the financial statements of the Company as a whole. The following sections of this report summarize the results of the Staff investigation which it believes are relevant to the determination of test year operating income and rate base.

REVENUE REQUIREMENTS

The Staff's recommended revenue increase range is detailed on Staff's Schedule A-1.

RATE BASE

The rate base represents the Applicant's net investment in plant, materials and supplies, and other assets as of the date certain, May 31, 2007, which were used and useful in providing electric distribution utility service to its customers and upon which its investors are entitled to the opportunity to receive a fair and reasonable rate of return.

The Staff's analysis of the rate base is divided into Plant in Service, Depreciation Reserve, Construction Work in Progress, Working Capital, and Other Rate Base Items. A comparison of the rate base submitted by the Applicant and that which is recommended by the Staff is shown on Schedule B-1. Schedules B-2 through B-6 provide additional support for the Staff's findings.

Plant in Service

The plant in service, as presented by the Applicant, is the surviving original cost of the distribution, sub-transmission, and general plant that is used and useful in providing electric service to its distribution customers. The Staff reviewed and tested the Applicant's plant accounting system to ascertain if the information in the Applicant's plant ledgers and supporting continuing property records (CPR) represent a reliable source of original cost data. The testing included a sample selection of plant additions, retirements and transfers since the prior base rate case. Plant additions as well as various items from the CPR were selected for on-site inspections for complete verification of existence and their used and usefulness. The Staff determined that there were no significant discrepancies and that the Applicant's plant accounting system represented a reliable source of original cost data.

During the Staff's investigation, The Cleveland Electric Illuminating Company discovered certain records were inadvertently destroyed. The Company has taken steps to ensure records are in compliance with the Ohio Administrative Code Section 4901:1-9-06. The premature destruction or loss of records did not hinder the Staff's investigation and a complete list of the missing records was provided to the Staff in a letter to the Director of the Utilities Department.

As a result of its investigation, the Staff recommends certain adjustments be made to the Applicant's date certain plant investment for ratemaking purposes. These

adjustments are identified below and summarized on Schedule B-2.2 and reflected on Schedule B-2.1.

Transmission Land Plant Adjustment

In Case No. 99-1212-EL-AIR, the Commission adopted the FERC seven factor test set forth in Order No. 888, for the purpose of classifying transmission and distribution facilities to be transferred to American Transmission System Incorporated (ATSI). The FirstEnergy operating companies continue to own all land, easements, franchises, and other rights associated with the transmission facilities leased by ATSI from the FirstEnergy operating companies pursuant to a Ground Lease. The Staff's investigation has determined that the Ground Lease has not been renegotiated since the original agreement effective September 1, 2000. Staff is of the opinion that the revenue received from ATSI does not support the revenue required on the land investment. Therefore, the Staff has excluded all Transmission land in Account 350 as shown on Schedule B-2.3. The Staff also excluded all revenues associated with the Ground Lease as shown on Staff's Schedule C-3.2. This adjustment to land is shown on Schedule B-2.2a.

Transportation Equipment and Power Operated Equipment

The Staff adjusted accounts 392 and 396 to exclude vehicles that either should have been retired or are no longer part of the distribution Company. This adjustment is shown on Schedule B-2.2b.

Reclassification of Transportation Equipment and Power Operated Equipment

During its investigation, the Staff discovered that some vehicles and some power operated equipment had been transferred between Ohio Edison, CEI and Toledo Edison but not reflected in the companies' plant accounting systems. This adjustment recognizes the reclassification of these items to the appropriate operating companies and is shown on Schedule B-2.2c.

General Plant

As a result of discrepancies associated with the Applicant's General Office Transportation Plant Account, the Staff determined further analysis of all General Office assets was necessary. At the time of the writing of this Staff Report, the Staff requested additional documentation to assure Staff of the proper classification of all General Office plant accounts. The Staff's review is still in progress and the results of this review will be provided prior to making a final determination of the appropriate level of plant in service for purposes of this proceeding.

Depreciation

Depreciation is the process which distributes the original cost of depreciable assets, adjusted for net salvage, over the normal life of the property in a systematic and rational manner. The Staff's investigation of depreciation is segregated into two areas: Depreciation Reserve, and Depreciation Accrual Rate and the corresponding Depreciation Expense. Each of these is discussed in detail in the following sections.

Depreciation Reserve

The Applicant maintains depreciation reserve, by account, on a total Company basis. In order to determine if the Applicant's booked reserve for depreciation is proper and adequate, the Staff generally finds it useful to compare the book reserve with a calculated theoretical reserve, as a guide to whether past accrual rate calculations have been appropriate. The Staff compared the Applicant's booked reserve level with a calculated theoretical reserve, based on the Staff's recommended accrual rates and May 31, 2007 plant balances. The Staff determined that the overall booked reserve is in close agreement with the theoretical reserve calculation. Therefore, it is the Staff's opinion that the actual jurisdictional reserve for depreciation, as adjusted by the Staff on Schedule B-3, is proper and adequate and should be used for purposes of this proceeding. The Staff adjusted the Applicant's depreciation reserve to exclude reserve associated with the adjustments discussed in the Plant in Service section. These adjustments are summarized on Schedule B-3.1.

Depreciation Accrual Rates and Depreciation Expense

The Applicant's current depreciation accrual rates were prescribed by this Commission in Case No. 95-300-EL-AIR.

The Applicant filed a depreciation study for its electric plant. The Applicant's accrual rates, for most electric accounts, were developed using the straight line whole life method. With exception, the Accounts 370 and 371, Meters and Installation on Customer Premises, were developed using the straight line remaining life method.

The Staff conducted an independent depreciation study utilizing actuarial methods and judgment to develop its accrual rate parameters and based its accrual rates on the straight line whole life method. The Staff recommended accrual rates are shown on Schedule B-3.2a. The Staff recommends that the Applicant be ordered to use the accrual rates shown on Schedule B-3.2a for book depreciation purposes, effective concurrently with customer rates from this proceeding.

The Staff's calculation of depreciation expense based on the adjusted jurisdictional plant in service balances at date certain and the accrual rates discussed above, is shown on Schedule B-3.2.

Also included in the depreciation expense on Schedule B-3.2 is the Staff's calculation of depreciation on the gross-up of the net of tax AFUDC created as a result of implementing SFAS No. 109. The Staff recalculated the SFAS No. 109 accrual rate to reflect a composite based on the Staff's recommended accrual rates as opposed to the Applicant's proposed accrual rates.

Construction Work In Progress (CWIP)

The Applicant did not request an allowance for CWIP in its filing and the Staff, as shown on Schedule B-4, did not recommend an allowance.

Working Capital

Working Capital has been generally defined as the average amount of capital provided by investors in the Company, over and above the investment in plant and other specifically identified rate base items, to bridge the gap between the time expenditures are required to provide service and the time collections are received for that service. As such, the objective of including a working capital allowance in rate base is to produce a total rate base that will result in allowing investors the opportunity to earn a fair return on all capital invested by them in utility operations.

The Applicant conducted and submitted a lead/lag study in the current proceeding. The Staff performed a detailed review of the Applicant's sponsored study. The review included testing the mathematical accuracy of the study, tracing information to source documents, and a detailed review including interviewing Applicant employees regarding the assumptions and methodologies used by the Applicant in its study. Based on its review, the Staff made certain adjustments to the Applicant's study to reflect the Staff's position and past Commission decisions.

The Staff's working capital calculation is comprised of three different components. The calculation contains a revenue lag allowance component, an expense lag allowance component and an allowance for materials and supplies component.

The Staff conducted a thorough review of the Applicant's revenue lag calculation. Based on that review, Staff agrees with the Applicant's calculated revenue lag of 27.5 days. The Applicant's revenue lag of 27.5 days was determined by netting its electric and generation revenue lag days against the Applicant's revenue lead days associated with its Energy for Education program revenue.

The Staff also undertook a review of the Applicant's expense lag calculation. Based on its review and understanding of how the Applicant calculated its expense lag, Staff made certain adjustments to the Applicant's calculated expense lag days to reflect past Commission decisions relative to uncollectibles account expense, vacation pay and interest expense. Also, the Staff made some adjustments to the study related to purchase power expense, payroll, outside services employed other expenses Ohio property tax, Pennsylvania franchise tax, Ohio Sales use tax and Municipal tax

The Staff's working capital allowance for materials and supplies is based on a thirteen-month average balance ending February 29, 2008 for materials and supplies held for normal operating and repair purposes.

Other Rate Base Items

The Applicant's Other Rate Base Items are detailed on its Schedule B-6. Certain of Applicant's Other Rate Base Items are estimated beyond the date certain. The Staff's valuation of Other Rate Base Items is as of the date certain. Several items have been eliminated by Applicant utilizing zero percent allocation factors to the distribution operation. Also, the Applicant proposed adjustments to several of these balances. These adjustments are detailed on the Applicant's Schedules B-6.1A through B-6.1T.

The Staff accepted some of the Applicant's adjustments, revised or corrected others, and proposed new adjustments.

As a result of the August 29, 2007 Ohio Supreme Court ruling in *Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio 4164, the Applicant's Date Certain, Deferred Fuel, Regulatory Asset balance and the Applicant's Date Certain, Accumulated Deferred Income Taxes balance (associated with the Deferred Fuel Regulatory Asset above) was reduced to zero and excluded from Rate Base. The Staff's summary of these adjustments is presented on Schedule B-6 (line 9 and line 110).

The mechanism to recover certain increased fuel costs incurred during the 2006-2008 timeframe is the subject of review in Case No. 07-1003-EI-ATA and Case No. 07-1004-EL-AAM. This case is currently pending before the Commission.

ALLOCATIONS

The process of jurisdictional allocations for plant in service, depreciation reserve, and operating income has been drastically simplified by the corporate reorganizations undertaken subsequent to the legislation providing for industry restructuring. With only

a few exceptions, the generation and transmission assets previously owned by the Company have been transferred to unregulated FirstEnergy affiliates. Therefore, most rate base and operating income accounts are either 100% jurisdictional or 100% non-jurisdictional. For those accounts for which allocations are necessary (such as administrative and general expenses or balances for various employee benefits), allocation factors have been constructed as the weighted average of accounts which are themselves either 100% or 0% jurisdictional.

The Staff reviewed the Applicant's working papers supporting the proposed allocation factors, the methods and the calculations used in their derivation, and the supporting source documents. The Staff is of the opinion that the allocation factors proposed by the Applicant are appropriate and reasonable for the purposes of this proceeding.

OPERATING INCOME

The Applicant's test year operating income combined three months of actual data for the period March 1, 2007, through February 29, 2008, with nine months of forecast data for the period June 1, 2007, through February 29, 2008. The Staff adjusted the Applicant's test year operating income as required to render it appropriate as a basis for setting rates.

The Staff's *proforma* operating income is the Staff's adjusted test year operating income modified to reflect the Applicant's proposed increase in revenues and the associated increases in uncollectible accounts expense, commercial activities taxes, and federal income taxes.

Schedules C-1 and C-2 present the Staff's determination of operating income. The calculations, methodologies, and rationale used to develop the Staff's adjusted *proforma* operating income are detailed on Schedules A-1.1, C-1.1, C-3.1 through C-3.18, and C-4.

Proforma Adjustments

Schedule C-1.1 sets forth the Applicant's proposed increase in distribution operating revenues and affected expenses. The increase in revenues is the combined result of the increase in base revenues created by the Applicant's proposed tariffs and an increase for bad check and reconnection charges. Further discussion of the Applicant's proposed revenue increases can be found in various other sections of this report. Associated increases in uncollectible accounts expense, commercial activities taxes, and federal income taxes are also summarized on this schedule.

Current Adjustments

Base Revenue

The Applicant and the Staff adjusted current base revenues to annualize test year sales volumes using the most recent rates granted by the Commission, weather normalized sales volumes, and customer growth. Moreover, the Applicant and Staff also adjusted current revenue by deducting other miscellaneous current revenues from Schedule E-4 (current). The Staff also adjusted the Applicant's Schedule E-4 current revenues by adding employee discounts back. Staff is of the opinion that this employee benefit should be reflected as an expense. Staff's adjustment is presented on Schedule 3.1.

Labor Annualization

The Applicant annualized test year labor expense to reflect estimated employee and wage levels expected for the end of the test year. The Applicant included in its labor expense estimate payroll costs including straight time labor, overtime labor, and incentive compensation. Also included are allocated costs for shared services provided by FirstEnergy Service Co. employees.

The Staff annualized test year labor expense to reflect the average employee levels for the six month period ending with August 2007 for both CEI and FE Service Co. Wage rates for non bargaining employees include a 3.5% annual wage increase to be effective February 1, 2008. Wage rates for bargaining employees include a 3.5% annual wage increase effective May 1, 2007. Test year labor expense also includes incentive pay at 6% of straight time pay for bargaining employees and 12% of straight time pay for non bargaining employees. Test year labor also includes a three-year average expense for bonus pay and severance pay. The test year amount for employee discounts is also included in Staff's annualized test year labor expense. The Staff's adjustment is shown on Schedule C-3.2.

Miscellaneous Expense

The Staff adjusted test year operating expenses to exclude advertising costs associated with public relations and goodwill in Accounts 923, Outside Services Employed and 930.2, Advertising Expense as well as expenses associated with various sporting events and golf outings in Account 921, Office Supplies and Expenses. Applicant was able to provide the Staff actual expenditures for sporting events for the months of March through May; however, specific sporting events are not budgeted for individually, making it virtually impossible to determine the forecasted amounts for specific events. Therefore, the Applicant provided the actual expense amounts for the calendar year 2006 and stated that

they would provide an accurate representation of test year expenses. Staff concurs and eliminated these identified costs from test year expenses. The Staff's adjustment is presented on Schedule 3.3.

Depreciation Expense

Depreciation expense is adjusted to reflect the Staff's recommended depreciable plant in service as of the date certain. This adjustment is presented on Schedule C-3.4 with the supporting calculations shown on Schedule B-3.2. Further discussion on depreciation can be found in the Rate Base Section of this report.

Regulatory Assets Amortization

The Applicant and the Staff proposed adjustments to test year operating expenses to reflect the amortization of deferred amounts associated with fuel, distribution reliability, transition taxes, line extensions, and demand side management. The Applicant estimated deferred balances for these items through the end of the rate stabilization period, December 31, 2008, and proposed to amortize the estimated deferred amounts. The Staff amortized the date certain balances of these items with the exception of deferred fuel.

Consistent with the recommendation in the rate base section of this report, the Staff did not propose an amortization adjustment for deferred fuel in this proceeding as a result of the Ohio Supreme Court ruling in *Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio 4164. The Staff's adjustments are shown on Schedule C-3.5.

Pension and Other Post-Retirement Employee Benefits (OPEB) Expense

Both the Staff and the Applicant adjusted test year pension and OPEB expenses to eliminate the effect of financing and other non-service related expenses. The adjustment also adjusts for the difference between the test year budget expenses for pension and OPEB and the test year budget amounts for ongoing service costs of the operating Company. The Staff's adjustment can be found on Schedule C-3.6.

Social and Service Club Dues

Both the Staff and the Applicant adjusted test year operating expenses to eliminate social and service club dues. The Staff's adjustment is shown on Schedule C-3.7.

Federal, State, and Local Income Taxes

The Staff computed test year federal income taxes to reflect the recommended adjustments to operating revenues and expenses. The Staff's federal income tax computation reflects inter-period interest allocation and the normalization of tax accelerated depreciation and other tax-to-book timing differences. The Staff's calculation of federal income taxes also includes an adjustment to the investment tax credit resulting from an updated estimation of that annual expense.

Schedule C-3.8 shows the calculation of the federal income tax adjustment. Schedule C-4 shows the detailed calculation of federal income taxes.

Reclassification of Assessments

The Staff reclassified test year PUCO and OCC assessments from operation and maintenance expense to taxes other than income. The Staff's reclassification adjustment is shown on Schedule C-3.9. The Staff's calculation of PUCO and OCC assessments is shown on Schedule C-3.9.

Taxes Other Than Income Taxes

Taxes other than income taxes were adjusted to reflect the proper base and the latest known tax rates. For example, property taxes were computed by applying the latest known property tax rate to the property valuation at date certain. F.I.C.A. taxes were calculated based on test year adjusted payroll and so forth. Schedule C-3.10 provides a summary of the calculated taxes and the resultant tax adjustment. The supporting calculations are provided on Schedules C-3.10a through C-3.10g.

Vehicle Lease Costs

The Staff and the Applicant adjusted the test year to annualize the increase in vehicle lease cost. The Staff's adjustment is shown on Schedule C-3.11.

Uncollectible Expense

The Applicant's test year uncollectable expense account is based on total Company revenues, such as generation, transition and transmission. Staff calculated the uncollectable expense using a ratio based on the jurisdictional operating revenue components and the total uncollectable expense provision. The Staff's adjustment is presented on Schedule C-3.12.

Amortization Associated with Deferred Tax Balance True-up

The Applicant conducted a preliminary study to determine the appropriate accumulated deferred income tax balances related to distribution property. The

Applicant proposes an amortization of the differential between booked balances and those determined through the study over the net plant balance average life remaining. The Applicant proposes 100% allocation factor of the amortization amounts. The Staff is investigating the calculation of the deferred income tax balances and waiting for final approved balances. In the meantime, the Staff has included the estimated amortization amounts in the revenue requirements until the final amounts have been determined. The Staff also utilized the accelerated vs. book depreciation jurisdictional allocation factor to allocate its adjustment as shown on Schedule C-3.13.

Advertising Expense

Both the Staff and the Applicant adjusted test year operating expenses to remove expenses related to promotional advertising. The Staff's adjustment is presented on Schedule C-3.14.

Other Operating Revenue and Distribution Expense

Both the Applicant and the Staff adjusted Account 451-Miscellaneous Service Revenue to reclassify revenue erroneously posted to an expense Account 583. The Staff also adjusted account 456-Other Electric Revenue, to remove the annual ATSI lease revenue for reasons detailed in the Staff's plant in service text. Staff's adjustments are shown on Schedule C-3.15.

Reclassification of Interest on Customers' Deposits

Consistent with the treatment of customers' deposits as an offset to the Applicant's rate base, the Staff reclassified the associated interest expense to operating expenses. The Staff's adjustment is on Schedule C-3.16.

Rate Case Expense

The Staff used the Applicant's estimated rate case expense of \$447,000 for this proceeding, for all three operating companies and the service Company. The Staff amortized the expense over a three-year period. The Staff's adjustment can be found on C-3.17.

The Staff recommends that the Commission review the Applicant's revised estimate of rate case expense which should be submitted as a late filed exhibit before making a final determination of the appropriate level of rate case expense for use in this proceeding.

Forfeited Discounts Revenue

The Staff adjusted test year forfeited discounts revenues to reflect the Staff's adjustment to operating revenues. Staff's adjustments are shown on Schedule C-3.18.

RATE OF RETURN

The Staff believes that a rate of return in the range of 7.90% to 8.35% is fair and reasonable. The recommended rate of return was developed using a corporate consolidated cost of capital approach, which reflects a market-derived cost of equity, the Applicant's embedded cost of long-term debt and preferred stock, and the embedded capital structure. See Schedule D-1.

Capital Structure

The Applicant, Cleveland Electric Illuminating Company, is a wholly-owned subsidiary of First Energy Corporation which is a publicly traded, public utility holding Company. As a result, the Staff used First Energy Corporation's consolidated capital structure to estimate a rate of return for the Applicant. Substituting the parent Company's capital structure for the wholly owned subsidiary is legitimate as parent and subsidiary capital structures would be equivalent under a regimen of efficient capital budgeting, and capital costs could not be separated for each corporate entity. The Staff used the consolidated capital structure of the First Energy Corporation from Applicant's Schedule D-1A, in the rate of return determination.

Cost of Long Term Debt

The Staff employed the embedded cost of long term debt of First Energy Corporation, as of May 31, 2007, on a parent-consolidated basis, from Applicant's Schedule D-3A. In the calculation of the weighted cost of debt, the annual interest is divided by the carrying value. The debt calculation includes the effect of unamortized debt expense, unamortized discount or premium on sale, and unamortized gain or loss on reacquisition on both the interest cost and the carrying value. Staff utilized the embedded cost of long term debt of 6.22% on Schedule D-1.

Cost of Common Equity

The Staff considered a group of utilities which are representative of the industry for purposes of cost of equity estimation. This group consists of companies publicly traded on the New York Stock Exchange, and are categorized in the sectors of electric utilities, gas distribution utilities, and gas and electric utilities. These companies have market capitalizations of greater than \$1.5 billion, and have Value Line betas of one or less. Applying further criteria enabled Staff to select the following comparable group of twenty-three:

<u>Company Name</u>	<u>Ticker</u>
AGL Resources, Inc.	ATG
Atmos Energy Corporation	ATO
CenterPoint Energy, Inc.	CNP
Consolidated Edison, Inc.	ED
Constellation Energy Group, Inc.	CEG
DPL Inc	DPL
DTE Energy Company	DTE
Energen Corporation	EGN
Entergy Corporation	ETR
Exelon Corporation	EXC
FirstEnergy Corporation	FE
FPL Group, Inc.	FPL
MDU Resources Group, Inc.	MDU
National Fuel Gas Company	NFG
OGE Energy Corporation	OGE
Piedmont Natural Gas Company, Inc.	PNY
Pinnacle West Capital Corporation	PNW
Public Service Enterprise Group Inc.	PEG
Questar Corporation	STR
The Southern Company	SO
WGL Holdings, Inc.	WGL
Wisconsin Energy Corporation	WEC
Xcel Energy Inc.	XEL

Staff believes this group possesses risk characteristics roughly corresponding to that of the business function of providing distribution energy utility service to retail customers. The Staff has explicitly *not* considered any additional risk factors relating to provision of electric generation service, inasmuch as FirstEnergy's proposed auction plan is designed to relieve the Company of such risk.

The Staff employed a cost of equity estimate for the comparable group companies that are the average of their capital asset pricing model (CAPM) and discounted cash flow (DCF) derived estimates. In calculating its CAPM cost of common equity estimate, the Staff employed the average of the Value Line betas, being .85 and the Ibbotson¹ derived spread of arithmetic mean total returns between large Company stocks and long term government bonds (i.e., "risk free return"; 6.5%). These were used in the CAPM formulation with the weighted average of 10 year and 30 year weekly closing Treasury yields for the period from September 18, 2006 through September 10, 2007.

¹ * Ibbotson Associates 2007 Yearbook: Stocks, Bonds, Bills and Inflation: Valuation Edition

The weighting was done in a manner that emphasized later quarters to a greater degree. The averaged 10 year yield is 4.76%. The averaged 30 year yield is 4.93%. These average to 4.85%. This was added to the product of the beta and the 6.5% spread, and resulted in a CAPM cost of equity estimate of 10.39%. See Schedule D-1.3.

In calculating its DCF cost of common equity estimate, for each comparable Company, the Staff employed the annual average stock price, the sum of the last four quarterly declared dividends, estimates of the expected rate of growth of earnings, and generic issuance costs related to the external equity financing. The stock price employed is the average weekly closing price for the period from September 18, 2006 through September 10, 2007.

The DCF model assumes that earnings growth and dividends growth are the same. The Staff averaged earnings per share estimates from Reuters, Yahoo, MSN, and Value Line to get DCF growth estimates for each Company. See Schedule D-1.2. The Value Line average incorporates both the explicit long-range earnings estimate shown in the "box" and the implicit continuous growth rate calculated from the estimates of earnings per share.

For the Staff's determination of DCF cost of equity, a non-constant DCF growth rate was assumed. Dividends were assumed to grow at a rate derived from financial analysts' growth estimates for the first five years. The Staff's DCF growth estimates were used for the first five years, as they are averages of estimates from various investor news services. From the twenty-fifth year on, the growth rate was assumed to equal the long-term growth rate in GNP. For the sixth through twenty-fourth years, dividends vary between the two rates in a linear fashion. The long-term growth rate in GNP was the average annual change in GNP from the U. S. Department of Commerce for 1929 through 2005. See Schedule D-1.4.

Based on long-term GNP growth, the respective Company DCF growth estimate and dividend, a stream of annual dividends was calculated. The internal rate of return derived from the dividend stream and the stock price was used for Staff's non-constant growth DCF cost of equity estimate.

The comparable group non-constant DCF cost of equity estimates average 10.29%. When averaged with the 10.39% CAPM estimate, the result is 10.34%. See Schedule D-1.2. Using a 100 basis point range of uncertainty, the cost of equity estimate becomes 9.84% to 10.84%. See Schedule D-1.1. To provide for this return, allowance must be made for issuance and other costs, as shown on Schedule D-1.1, resulting in an adjustment factor of 1.02288. Applying this factor to the baseline cost of common equity range, results in a recommendation of 10.06% to 11.09%.

RATES AND TARIFFS

By its application in Case No. 07-551-EL-AIR, et al, The Cleveland Electric Illuminating Company requests authority to modify its electric distribution service tariffs, schedules, rates and charges applicable to service under direct Commission jurisdiction.

The Commission Staff has investigated the rates and tariffs matters proposed by the Applicant. The results of that investigation are herein reported. It is the intent of Staff to provide analysis with regard to the acceptability and reasonableness of the rules, regulations, terms, conditions, and revenue recovery mechanisms contained in the proposed tariffs. The proposals made by Staff may require adjustments based on the revenue authorized by the Commission in these proceedings.

In its analyses, Staff utilizes various documents provided by the Applicant (the Notice of Intent To File of May 8, 2007; the Original Filing of June 7, 2007; the Update Filing of August 6, 2007; and the responses to data requests issued by Staff), as well as formal and informal discussions with various Company personnel. When applicable, Staff will identify the source documents utilized in its analyses. Because of the use of various source documents, some of the figures used in this section (e.g. current revenue, proposed revenue, increase requested) may not exactly match the numbers used in determining the revenue requirement in other sections of this report. The Staff of the Rates and Tariffs Division has, however, utilized the documents to best-reflect the reasonableness of its recommendations.

TARIFF ANALYSIS

Electric Service Regulations

In general, FirstEnergy has proposed to modify the Electric Service Regulations of the current tariffs of Ohio Edison, The Cleveland Electric Illuminating Company and The Toledo Edison Company so that they are consistent. To describe every individual proposed modification to each Company's tariffs would not be efficient. The following analysis is presented in the form of an "exception" report, including Staff's (of the Rates and Tariffs Division of the Utilities Department and the Investigation and Audit Division of the Service Monitoring and Enforcement Department) recommended "fix." Unless otherwise noted, Staff recommends approval of the other proposed provisions.

Section I – General Provisions

The Applicant is proposing to delete the language that tells customers where they can inspect copies of the Electric Service Regulations and the Schedule of Rates. The Applicant's rationale for this proposed change is that tariffs are available in multiple locations. Staff is of the opinion that the Applicant should not delete this language, but should modify it to include the other locations and sources in which these tariffs are being made available.

Section II – Applications and Contracts

- (E): This language was previously located in Section II A. The Applicant also modified this language to include a distinction between Same Day Connection and Re-Connection Charges. Although Staff agrees with this proposed change, the proposed language could be easier understood by customers if it read:

"If the customer requests service for the same day on which the request has been made and the service is presently not connected, the Company will charge the customer the Same Day Connection Charge pursuant to the Company's Tariff Sheet 75, Miscellaneous Charges. This fee may be charged at the time of the request or charged with the customer's next monthly billing, at the Company's discretion, and only if the Company provides the service on the same date requested. (The Same Day Connection Charge does not apply to requests for reconnection after nonpayment which is governed by Electric Service Regulations, Sheet 4, Section XI, Paragraph D)".

Section III - Credit Worthiness and Deposits

- (A): This section states that "customers are required to establish creditworthiness, which may include a deposit, as a condition to furnishing or continuing to furnish service". Staff believes that since customers are required to establish creditworthiness, this section should include language that either states all the options to establish credit or references the rule governing the establishment of credit. Staff recommends that this section should read: "Customers are required to establish creditworthiness in accordance with the provisions of 4901:1-10-14, O. A.C., which lists options for satisfying this requirement, which must be met as a condition to furnishing or continuing to furnish service".
- (B): This paragraph incorrectly cites Chapter 4901:1-17 of the Ohio Administrative Code (O.A.C.) as a reference on how interest will be paid on the deposit. The reference should be Chapter 4901:1-10-14 (J), O.A.C.

Section IV – Characteristics of Service

- (B): Staff recommends the word “level” be added. The proposed language shall read, “The Company designs its system so that under normal operating conditions the sustained service voltage is within a range of plus or minus 10% of the normal voltage level for that service. (CEI only)”

Section V - Rate Schedule Alternatives

- (A): Staff recommends the last sentence in the paragraph be removed. The last sentence states, “No refund will be made representing the difference in charges under different rate schedules applicable to the same class of service”. This tariff appears to violate the Commission ruling in *White Plastics v. Columbus Southern Power*, Case No. 83-0650-EL-CSS. This case held that a Company may owe refunds to a customer for placing that customer on the wrong rate schedule if the customer makes an inquiry regarding its rates and the Company fails to properly investigate the customer’s rate.

Section VI – Billing and Payment

- (D): The Applicant is proposing to delete the current language “the Company’s filed tariffs and its Standard Rules and Regulations, as are applicable to that customer, provided that such transfer of a final bill shall not be used to disconnect service to a residential Customer who is not responsible for such bill. This provision shall not be construed to permit disconnection of a residential account for an unpaid final bill at such a second location if the customer initiated another such account at least ninety (90) days prior to termination of service to the account for which the final bill was rendered.” Staff recommends the Applicant should not delete this language.
- (I): This is new language being proposed by the Applicant. Staff feels this section would read clearer to customers if specific dates were being used instead of terms such as “billing portion 9 meter readings in mid-June”. Staff is recommending the Applicant use specific dates in this proposed language.

Section VII - Service Connections and Line Extensions

The issue of cost recovery for line extensions was a significant issue in the electric transition plans. The issue was ultimately resolved via a series of Commission-approved stipulations in Case No. 01-2708-EL-COI. For FirstEnergy, the cost recovery mechanism was a blend of up-front capital payments, periodic customer payments, and deferrals as regulatory assets. The stipulation was intended to be a “stop-gap” measure

to allow the Company a cost recovery mechanism during the time its distribution rates were frozen.

In Case No. 07-551-EL-AIR, the Applicant proposes to continue only the up-front payments concept. It proposes the following:

Residential:

Standard Single Family \$300 (\$100 if geothermal)

Non-Standard Single Family \$300 + 100% of the cost > \$5000

Multi Family Installation \$100 per unit

General Service 40% of the cost

Transmission Installations 100% of the cost

The distribution rate freeze ends with the outcome of this case. While Staff is not adverse to an up-front payment as one of the cost recovery mechanisms, it recommends a slightly different approach. Staff proposes the following:

Standard Single Family \$100 (\$50 if geothermal)

Non-Standard Single Family \$200 + 100% of the cost > \$5000

Multi Family Installation \$50 per unit

General Service 40% of the cost

Transmission Installations 60% of the cost

Staff further recommends that for the non-standard single family costs exceeding \$5000, the customer be offered a monthly extended payment option (including interest) of up to four years.

Section VIII – Use of Service

- (D): This section would require customers who want parallel interconnection with the Company's distribution system to pay for a dedicated telephone line for an interval meter. To make this section consistent with the requirements of Rule 4901:1-28 (C), Staff recommends that the following sentence be added stating that: "The requirement for a dedicated telephone line does not apply to service for net metering".

Section IX - Meters, Transformers and Special Facilities

- (A): Staff recommends the proposed language "by the customer at his expense in accordance with the Company's standards" be replaced with "consistent with the Company's standards, by the customer at the customer's expense".

- (B): Staff recommends the language "for any reason whatsoever" be removed.
- (C): The language in this paragraph which reads, "the period specified in Chapter 4901:1-10 of the O.A.C.", would force the customer to look in a different place to determine the time period during which the customer is allowed one free meter test. Staff recommends that the above mentioned language be replaced with: "a 36 month period".
- (F): Staff recommends the proposed language "in the sole discretion of the Company" be replaced with the current tariff language "subject to the approval of the Company".
- (G): This paragraph advises the customer of the Company's right to access a customer's premise. Staff believes this provision should also state the customer's right to request the employee to provide Company ID as required by Rule 4901:1-10-13, O.A.C.
- (G): The second paragraph concerns failure to grant access by a customer or landlord and states "If a customer or a landlord fails to grant access for reasons described above, and judicial redress is necessary to secure such access, . . .". Staff believes the term "judicial redress" should be changed to "court order", which Staff believes is easier for a customer to understand.
- (G): The second sentence of this section's second paragraph concerns what the Company may collect if judicial redress is necessary and states "This would include, without limitation, any court costs and attorney's fees, which may be added to an account of the customer or if applicable, the landlord, and shall be due with the current charges on that account". The tariff, as it currently reads, would allow the Company to charge court costs and attorney fees to the customer even if the Company was unsuccessful in litigation against the customer. Staff recommends that the Company only be allowed to add court costs and attorney fees to a customer or landlord's bill when a judicial officer awards the Company those costs and fees. Staff also recommends replacing the word "may" with the word "would" in the second sentence of the second paragraph.

Section X - Customer's Wiring, Equipment and Special Services

- (A): Staff recommends that this paragraph cite the specific rule and not just the chapter regarding the requirement for inspection on a new service installation. Chapter 4901:1-10 is a very large chapter, which has no section titled "installation". These circumstances would make it difficult for a customer to find the specific rule pertaining to this paragraph. Staff recommends that the words,

"Rule 4901:1-10-05 (E) replaces the words "Chapter 4901:1-10", in this paragraph.

Section XI. Collection of Past Due Bills and Disconnection of Service

- (B): Field Collection Charge - Staff recommends that the Company add language that will limit the number of times the Company can assess this charge for a delinquent account. Staff recommends the following language be added: "The Company shall not charge this fee more than once prior to either collecting the delinquent amount or disconnecting the service".

Tariff Structure

As with the service regulations, FE has proposed to modify the structure of the distribution electric service schedules of Ohio Edison, The Cleveland Electric Illuminating Company and The Toledo Edison Company so that they are consistent. In doing so, the number of schedules has been reduced to eight: Residential (RS), General Service - Secondary (GS), General Service - Primary (GP), General Service - Subtransmission (GSU), General Service - Transmission (GT), Street Lighting (STL), Traffic Lighting (TL) and Private Outdoor Lighting (POL). For example, CEI currently has twelve Residential Rate Sheets (or variations) in effect. In this application, that number has been reduced to one. The significant tariff structure modifications not only create occasional anomalous results to individual customers, but also create problems in Staff's traditional comparisons of "current" to "proposed." Those problems will be addressed in the applicable section of this report.

The current tariff structure has evolved through the years as the individual components have been requested by the Company and approved as reasonable, at the time, by the Commission in various rate and tariff proceedings. In recent years Staff and the Applicant have had informal discussions regarding the need to reduce the number of schedules, simplify the rates and have a consistent tariff format for the three FE operating companies. The four proposed General Service schedules are voltage-based. Customers receiving like services should be facing the same charges and provisions. Therefore, as a whole, Staff finds that the proposed structure is a reasonable reflection of distribution-related costs and recommends the structure be approved.

REVENUE DISTRIBUTION AND RATE DESIGN ANALYSIS

Rate and Revenue Guidelines

General guidelines or objectives are followed in Staff's review of rate schedules and design. The applicable schedules should provide the utility the opportunity of recovering an authorized revenue. The various schedules should represent a reasonable distribution of revenue between and among the various customer groups. The particular schedules should be equitable and reasonable, should provide for customer understanding and continuity of rates, and should cause minimal customer impact. When employing these standards to develop and design rates, the results should be understandable to all the customers billed under the schedule.

Rate design criteria are to be viewed as a package, in that they are interrelated. Although each item can be separately identified and applied to rate schedule determinations, no single standard is overriding in determining proper rate design. The rate schedules which comprise a particular utility's tariff should provide for recovery of expenses found proper in the course of a regulatory proceeding. If the rate schedule is designed on the basis of cost causation, it will provide for expense recovery in the long term, given changes in the customer consumption characteristics. Normally, and to the extent sufficient information is available, cost of service studies and related expense analyses are necessary to determine the appropriate level of revenue to be generated and the appropriate recovery of such revenue.

The rate schedules should be designed to be equitable and reasonable to the customers served pursuant to their applicability. This criterion involves several considerations. The rate schedules should, to the extent practicable, be predicated upon the cost associated with a particular service rendered. Customers receiving like services should be facing the same charges and provisions. Also, differences in applicable charges should be representative of differences in costs.

From a practicable rate design standpoint, absolute equality between costs and revenues may be difficult to achieve in the short term. While it may be viewed as equitable to set rates at cost, if there is a substantial divergence from the current rates, the resulting impact on individual customers may be viewed as unreasonable. While desiring cost supported charges, Staff considers such items as resulting typical customer billings and resulting revenue increases which would necessarily occur. These tests help provide benchmarks with regard to reasonableness of charges in rate forms. While it is the Staff's position that rate schedules reflect costs, it is also important to consider the continuity associated with current and proposed pricing structures. This may result in movement towards more closely aligning revenue with costs rather than an absolute match at a particular time period.

In summary, electric rates should:

- Be predicated on costs
- Be fair, equitable and reasonable
- Provide for customer understanding
- Cause minimal impact (sometimes called "gradualism")
- Provide continuity in pricing structures
- Provide the utility the opportunity to recover an authorized revenue by providing for the recovery of costs found proper in a regulatory proceeding

To this list might be added:

- Promote conservation
- Promote energy efficiency
- Promote economic development
- Promote the energy policies of the State

The preceding paragraphs in this section are "boilerplate," in that they are used, in one form or another, in all rate-related Staff Reports. The standards are true and they are important. Each of the standards has value. They are, however, subjective, and it is generally impossible to fully accomplish them all. Sometimes one standard (the most obvious being that the rates must provide the utility with the opportunity to recover its authorized revenue requirement) supersedes, to a degree, the others. Sometimes the standards are in conflict (e.g. in this application, the standard for cost-based rates and the standard for providing for customer understanding conflicts with the need to provide continuity in pricing structures).

From discussions with the Company, and from the application and supporting testimony, it is apparent to Staff that the Applicant, in its proposal, has taken the standards into consideration. It is also apparent that, while this is a "distribution" rate case, the Applicant has placed an emphasis on the rate impacts, as proposed in the application, on "total" bills (including "generation" and "transmission" rates, and also including the impact of the elimination of the Regulatory Transition Charges). Staff does not find this to be an unreasonable approach; but, it does have its limitations, as will be later discussed.

Cost of Service Analysis

Cost of service studies approximate the costs incurred by an Applicant in providing service and identifies the cause of the costs. These are determined by assigning the costs to the customer class relative to what each class imposes on the system. There are several steps involved, as listed below:

- **Functionalization:** The separation of costs according to production, transmission or distribution function.
- **Classification:** The separation of costs as being customer, demand or energy related. Customer costs are independent of customer usage characteristics and are costs which are associated with customer service connections to the system and vary with the number of customers served. Demand and capacity costs are those expenses which vary with the rate in which the service is used, such as the cost of meeting peak demand. Energy costs are the costs which vary according to the volume of energy consumed, or the customer's kilowatt-hour consumption.
- **Allocation:** The last step is the allocation of costs to each customer class. This is determined by a combination of the number of customers, class demands, and energy usage.

The Cost of Service Study filed by the Applicant is an embedded fully allocated cost of service study by rate class for the test period ended February 29, 2008, as adjusted. The Cost of Service Study first functionalizes items such as plant investment, operating expenses and taxes between the distribution function and to "all other." These costs are then classified as customer, demand or energy related. Next, those costs that have been determined to be distribution-related are allocated to the various customer classes. Finally, the Cost of Service Study calculates the revenue responsibility of each class required to generate the recommended rate of return.

The Applicant further delineated distribution plant costs by sub-functionalizing assets through the identification and separation of primary and secondary voltages. The voltage peaks are based on the average of three summer coincident voltage peak months (June, July, August). The allocation factors were developed based on customer, energy and demand statistics for the test period. These costs were then classified as customer, energy or demand-related.

Cost of service studies are subjective, especially the allocation of costs to customer classes. Staff, admittedly, did not do a line-by-line review of each expense and rate-base-related item. From its analysis, Staff concluded that the Applicant generally followed acceptable allocation guidelines (e.g. the National Association of Regulatory Commissioners Electric Utility Cost Allocation Manual). The cost of service study results are, of course, considered by Staff in developing its recommendations; but, by no means, are they the sole consideration.

Revenue Distribution

The allocation of the authorized revenue requirement between and among the various customer classes is of obvious importance. Just as the rates, in total, must give the utility the ability to recover its authorized revenue requirement, so must the rates in a particular schedule give the utility the opportunity to recover the revenue authorized for that schedule. Traditionally, Staff presents tables which compare "current revenues," by class to "proposed revenues" (both Applicant-proposed and Staff-proposed), by class. As previously discussed, the Applicant has proposed (and the Staff has accepted) a significant tariff restructuring. Thus, the traditional presentation by Staff becomes somewhat convoluted.

Therefore, Staff's analysis (including the current, Applicant-proposed and Staff-proposed revenue distribution) is presented in Table 1. In this Table, the current revenues (tariff revenues only) are taken from the Applicant's cost of service study (Exhibit E-3.2) and the proposed revenues (less miscellaneous charges) are taken from the updated filing (Exhibit E-4, as supported by Exhibit E-4.1). While these revenues may not exactly match the current and proposed revenues in the application, Staff finds that they are appropriate for its analysis of the revenue distribution. It is also important to note that the Staff-proposed revenue, in total, is designed to match the Applicant-proposed revenue, in total. This is not a recommendation, in any way, that the Applicant's proposed revenue requirement be approved. It is done only for illustrative and comparison purposes.

The Table reflects Staff's proposed modifications to the revenue distribution at the full proposed revenues. Adjustments have been recommended to the revenue assigned to the Residential Service schedule and the General Service - Secondary schedule to better reflect costs.

FIRSTENERGY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
Case Nos. 07-551-EL-AIR, et al.

Table 1

TABLE 1 Proposed Schedules	Total Retail	RS	GS	GP	GSUB	GT	TL	SL	POL	Contract
Rate Base	1,303,924	606,536	516,157	7,598	49,175	1,733	180	37,546	15,176	69,823
NOI	47,091	33,458	152	407	4,541	178	19	3,254	2,817	2,465
Current Rate of Return	3.61%	5.52%	0.03%	5.36%	9.23%	10.27%	10.56%	8.67%	17.24%	3.53%
Current RoR Index	1.00	1.53	0.01	1.48	2.56	2.84	2.92	2.40	4.77	0.98
NOI Levelized	47,091	21,905	18,641	274	1,776	63	7	1,356	548	2,522
Change in NOI	0	-11,553	18,489	-133	-2,765	-115	-12	-1,898	-2,069	57
Change in Current Rev	0	-18,520	29,639	-213	-4,433	-185	-20	-3,043	-3,317	91
Current Tariff Revenue	423,682	224,090	130,910	2,812	20,963	1,113	160	16,982	8,614	18,038
Current Rev to Levelize	423,682	205,570	180,549	2,599	16,530	928	140	13,939	5,297	18,129
Proposed Rev	528,567	248,249	210,650	3,186	21,508	998	158	16,946	8,603	18,268
% Increase	24.76%	10.78%	60.91%	13.30%	2.60%	-10.33%	-1.25%	-0.21%	-0.13%	1.28%
Applicant Proposed Rev	528,567	248,249	210,650	3,186	21,508	998	158	16,946	8,603	18,268
Rev Dist	100.00%	47.0%	39.9%	0.6%	4.1%	0.2%	0.0%	3.2%	1.6%	3.5%
App Proposed Increase	104,885	24,159	79,740	374	545	-115	-2	-36	-11	230
Distribution of Pro Incr	100.00%	23.03%	76.03%	0.36%	0.52%	-0.11%	0.00%	-0.03%	-0.01%	0.22%
App Proposed % Increase	24.76%	10.78%	60.91%	13.30%	2.60%	-10.33%	-1.25%	-0.21%	-0.13%	1.28%
Staff Proposed Rev	528,567	251,832	207,068	3,186	21,508	998	158	16,946	8,603	18,268
Rev Dist	100.00%	47.64%	39.18%	0.60%	4.07%	0.19%	0.03%	3.21%	1.63%	3.46%
Staff Proposed Incr	104,885	27,742	76,158	374	545	-115	-2	-36	-11	230
Dist of Staff-proposed Incr	100.00%	26.45%	72.61%	0.36%	0.52%	-0.11%	0.00%	-0.03%	-0.01%	0.22%
Staff Proposed Incr %	24.76%	12.38%	58.18%	13.30%	2.60%	-10.33%	-1.25%	-0.21%	-0.13%	1.28%
NOI Levelized at 8.5292%	112,518	52,339	44,540	656	4,243	150	16	3,240	1,310	6,025
Current NOI	47,091	33,458	152	407	4,541	178	19	3,254	2,817	2,465
Change in NOI	65,427	18,881	44,388	249	-298	-28	-3	-14	-1,307	3,560
Change in Rev	104,885	30,268	71,158	399	-477	-46	-8	-23	-2,098	5,707
Levelized Proposed Rev	528,567	254,358	202,068	3,211	20,486	1,067	154	16,959	6,518	23,745

RS Residential
GS General Service Secondary
GP General Service Primary
GSUB General Service Subtransmission
GT General Service Transmission
TL Traffic Lighting
SL Street Lighting
POL Private Outdoor Lighting

Staff Recommendation

Applicant is proposing an increase in tariff-related base revenues of approximately \$108,500,000. The analysis, however, is based on the inclusion of Deferred Fuel (per the Rate Certainty Plan, Case No. 05-704-EL-ATA). The Supreme Court has remanded this issue to the Commission. Staff has made adjustments to its revenue distribution recommendations to reflect the exclusion of the deferred fuel component in Table 2.

Table 2

	Tot	RS	GS	GP	GSUB	GT	TL	SL	POL	Con
Fuel def RB	93331	30146	37558	1487	11134	995		158	762	362 10730
NOI at 8.6292%	8054	2601	3241	128	961	86		14	66	31 926
Assoc Rev	12911	4170	5195	206	1540	138		22	105	50 1484
Prev Staff Rec Rev	528567	251832	207068	3186	21508	998		158	16946	8603 18268
Adj Staff Rec Rev	515656	247662	201873	2980	19968	860		136	16841	8553 16784
Current Rev	423682	224090	130910	2812	20963	1113		160	16982	8614 18038
Increase	91974	23572	70963	168	-995	-253		-24	-141	-61 -1254
% Increase	21.71%	10.52%	54.21%	5.99%	-4.75%	-22.70%	-14.91%	-0.83%	-0.71%	-6.95%
Adj Incr	91974	23572	70963	168	-995	-253		-24	-141	-61 -1254
Adj % of Incr	100.00	25.63%	77.15%	0.18%	-1.08%	-0.27%	-0.03%	-0.15%	-0.07%	-1.36%
Original Staff pro %	100.00	26.45%	72.61%	0.36%	0.52%	-0.11%	0.00%	-0.03%	-0.01%	0.22%
RS	Residential									
GS	General Service Secondary									
GP	General Service Primary									
GSUB	General Service Subtransmission									
GT	General Service Transmission									
TL	Traffic Lighting									
SL	Street Lighting									
POL	Private Outdoor Lighting									

In the event that the deferred fuel component of this case is excluded and/or in the event the Commission authorizes revenues other than the requested revenue, Staff recommends that the increase in tariff-based revenues, to the extent possible, be distributed as follows.

Distribution of Tariff-Related Increases

RS	25.53%
GS	77.05
GP	0.18
GSUB	(1.10)
GT	(0.30)
TL	0.00
SL	0.00
POL	0.00
Contract	(1.36)
Total	100.00%

Rate Design

Changes have been made in all proposed schedules for "clean-up" purposes (e.g. removing the RTC charges, changing the name of the "customer charge" to "service charge", removing generation charges from the distribution tariffs), for "clarity" purposes and for "consistency" among the three operating companies. Unless otherwise addressed in this section, Staff recommends approval of the changes as proposed.

Residential Service Schedule- RS

Applicant proposes to simplify the residential distribution rates from multiple schedules to one uniform tariff design. In doing so, the resulting bills of customers on certain schedules have been rather drastically impacted. To mollify this impact, the Applicant has proposed Rider RDC – Residential Distribution Credit. Staff recommends approval of the uniform tariff and the credit rider.

Applicant is proposing a \$4.00 service charge and a two-block energy charge. The second energy block (in excess of 500 kWh) is "inverted" (i.e. higher than the first block).

Although traditional Staff analysis supports a higher fixed charge, FE has proposed a \$4.00 service charge for each of the operating companies. Given the other complex issues in this case, Staff recommends approval at this time, but puts the industry on notice that, in future proceedings, a higher service charge will probably be supported by Staff to better represent the fixed costs of distribution rate schedules.

Staff, however, does not support or recommend the inverted energy block. The appropriate mechanism to promote conservation through rates is not the distribution component. Staff recommends a flat energy rate to best reflect costs.

Applicant has also proposed a special metering provision offering a time-of-day meter option. Staff recommends approval.

Multi-Family Dwellings: This term was not previously used in CEI's tariffs. This term states, "if the wiring is arranged so two or more families are served through one meter, the energy blocks as determined on a single-family basis shall be multiplied by the number of families served". Staff's concern is that in addition to a rate increase approved by this case, CEI's customers affected by this new term will see an additional rate change. Staff recommends that if a customer of CEI will see a change in rates due to this new definition, they should be notified of the change prior to or with the first billing.

General Service Schedules – GS, GP, GSUB & GT

Applicant proposes to simplify the general service distribution rates from multiple schedules to a voltage-based concept that better matches how the distribution system is designed and how customers physically take service. In doing so, the resulting bills of customers on certain schedules have been rather drastically impacted. To mollify this impact, the Applicant has proposed Rider BDC – Business Distribution Credit. Staff recommends approval of the uniform tariffs and the credit rider.

For each schedule, Applicant is proposing a service charge and a capacity charge (and a reactive demand charge, if applicable) to reflect the infrastructure-based recovery of general service distribution charges. The GS schedule has a fixed charge for up to 5 kW and a capacity charge for the remaining kW. Staff recommends approval of those structures. Also, for the GS schedule, the Applicant has proposed that for customers not having a demand meter and using over 1000 kWh per month, "measured demand" shall equal the kWh used divided by 200. Customers using under 1000 kWh shall have a 5 kW billing demand. While the factor of "200" appears to be reasonable (27.4% load factor), Staff requests the Applicant to address the rationale supporting this calculation in its testimony filed with its objections to the staff report.

While testimony and Schedule E-3 reflects a two-year minimum contract term for customers on Schedule GT, the tariff sheet in Schedule E-1 reflects only a one-year minimum. This sheet should be corrected.

Applicant has also proposed a special metering provision offering a time-of-day or an interval meter option for the General Service schedules. Staff recommends approval.

Lighting Service Schedules – STL, TRF & POL

The lighting distribution schedules have been modified for consistency and simplicity. The unmetered service usage figures for billing purposes have been standardized. Street Lighting Service (Rate STL) reflects three plans: (1) Company owned and maintained; (2) customer owned and maintained; and, (3) customer owned with limited Company maintenance. Plan (3) is not available for new installations. Staff recommends approval of the proposed tariff structures, unless otherwise noted.

Rate POL indicates that it is available only for units in service as of December 31, 2008. Staff recommends that this provision be held in abeyance pending the outcome of Case No. 07-363-EL-ATA.

There is also proposed language in Case No. 07-915-EL-ATA (regarding optional shielded light offerings), which is still under review, that will have an impact on the street lighting and private outdoor lighting schedules. Some of the language proposed in those schedules, in that case, also is related to the outcome of Case No. 07-363-EL-ATA. Staff recommends that any language related to the withdrawal of Schedule POL for new customers not be included in the tariffs until Case No. 07-363-EL-ATA is resolved.

Staff Recommended Rates

For comparative purposes only, Staff recommends the following adjustments to the Applicant's proposed rates. Once again, this does reflect any recommendation as to the total revenue requirement recommended by Staff in other sections of this report. It is only intended to reflect any Staff- recommended changes to the rate design and/or revenue distribution (from Table 1) that the Applicant has proposed at the full amount it has requested in the application. Unless otherwise noted, Staff recommends approval of the Applicant's proposed rates.

Residential:

Applicant Proposed

First 500 kWh \$ 0.03270
> 500 kWh 0.03889

Staff Proposed:

All kWh: \$.03593

General Service:

Applicant Proposed Capacity Charges:

GS \$ 9.164

Staff Proposed:

\$ 8.965

Miscellaneous Charges

Staff, in general, supports cost-based miscellaneous charges. The customer who causes the cost should pay, to the extent practicable, the cost of the service provided. The Applicant has proposed miscellaneous charges that are consistent across the three operating companies. The results of Staff's investigation are as follows:

FE Proposed Miscellaneous Charges		Applicant	CEI	OE	TE	Staff
		Proposed*	Support	Support	Support	Proposed
1	Same Day Connection Charge	\$ 35	\$ 35.58	\$ 34.58	\$ 31.97	\$ 35
2	Field Collection Charge	\$ 12	\$ 12.37	\$ 11.26	\$ 11.10	\$ 12
3	Reconnection Charge					
	Standard	\$ 35	\$ 35.77	\$ 32.04	\$ 31.25	\$ 35
	Premium					
	Next day	\$ 35	\$ 35.77	\$ 32.04	\$ 31.25	\$ 35
	Same day	\$ 60	\$ 61.30	\$ 54.92	\$ 51.87	\$ 60
	Seasonal Reconnect	\$ 15	\$ 15.84	\$ 15.84	\$ 14.74	\$ 15
4	Returned Payment Charge (including penalty)	\$ 15	\$ 14.95	\$ 14.95	\$ 14.95	\$ 15
5	Unauthorized Use Investigation Charge (minimum)	\$ 125				
6	Meter Test Charge	\$ 55				\$ 55
	Level 1		\$ 51.80	\$ 51.79	\$ 51.80	
	Level 2		\$ 57.08	\$ 57.08	\$ 57.08	
7	Disconnect/Reconnect For Customer Work Charge					
	Residential	\$ 0				\$ 0
	Non residential	cost				cost
8	Temporary Service Drop Charge	\$ 200				\$ 200
9	Meter Service Charge					
	Replace with Interval Meter and Modem	\$ 550	\$ 554.00	\$ 554.00	\$ 554.00	\$ 550
	Replace with T-O-D Meter	\$ 105	\$ 105.00	\$ 105.00	\$ 105.00	\$ 105
	Company Installed Communication Link	\$ 50/mo				\$ 50/mo
	Site Visit	\$ 50				\$ 50
10	Annual Escalator Adjustment	CPI-U index				NO

3, Reconnection Charge: This paragraph concerns the cost to the customer who request reconnection of service on the same day and states that if payment is made "Before the time prescribed by Chapter 4901:1-18 of the Ohio Administrative Code then service would be connected by...". The Company should specify the times when the different reconnection charges apply, instead of referencing Chapter 4901:1-18 of the Ohio Administrative Code. Staff recommends the words, "time prescribed by Chapter 4901:1-18 of the Ohio Administrative Code" be replaced with "before 12:30 pm."

6, Meter Test Charge: This paragraph concerns the meter test charge and states "The first test within the period specified in Chapter 4901:1-10 Ohio Administrative code shall

be at no charge to the customer". The language which reads, "the period specified in Chapter 4901:1-10 of the O.A.C.", would force the customer to look in a different place to find the time period during which the customer is allowed one free meter test. Staff recommends that the above mentioned language be replaced with: "a 36 month period".

8, Temporary Service Drop Connection Charge: This paragraph concerns the charge for a temporary service drop connection charge and states, "When requested by a customer, the Company may provide a Temporary Service Drop Connection for a charge to the customer of \$200". Staff recommends changing the word "may" back to "will", to reflect the fact that if the Company provides a temporary service drop, the charge to the customer will be \$200.

#10, Annual Escalator Adjustment: Staff strongly recommends that the Commission reject this proposed annual adjustment based on the Consumer Price Index to certain miscellaneous charges. These costs do not need to be updated on a more frequent basis than a comprehensive rate proceeding.

Staff Observation

From a rates and tariffs standpoint, this is not your typical application to increase rates. The current distribution rates have been in place since the Applicant's last rate case in 1995. At that time, they were embedded in a total rate and, later, were unbundled in the transition plans. This application, therefore, not only updates rates that have been in place for several years, but also modifies some of the oddities resulting from the unbundling process. In addition, the application significantly alters the current tariff structure, the current rate schedule structure and the current rate design. Staff recognizes the effort put into the application. Further, the Company has been extremely cooperative with Staff of Rates & Tariffs in not only providing data, but also providing it in a format requested by Staff. This was not an easy application to prepare, nor an easy one to analyze.

Typical Bills

In its filings, Applicant has presented a typical bill analysis. It has demonstrated the bill comparisons between the total bill a customer would pay on its current schedule and what it would pay (a) under the proposed schedule; (b) at the proposed rates, including the credit riders; (c) at the fully requested increase; (d) reflecting the elimination of the RTC; and, (e) reflecting "current" transmission and generation rates.

Given the fact that, to most customers, the bottom line question is "how much is my bill going to go up (or down) as a result of this case," Staff believes the typical bill analysis by the Applicant is reasonable for comparison purposes. However, the analysis does make assumptions that may or may not match "reality." Obviously, the Commission

may not grant the proposed tariff restructuring and rate design and may approve a different revenue requirement. While Staff knows of no other method of reflecting what transmission and generation rates will be like in 2009, it is quite likely that they will not be the same as the current rates.

While the typical bill analysis has some value as a tool for comparison, it has little or no value as to reflecting the final results of this case until the Commission determines the final revenue requirement, schedule structure and rate design. To that end, Staff recommends that the Commission require the Applicant to provide a typical bill analysis with tariffs to be filed in compliance with the Order in this case.

Nevertheless, Staff has provided, as follows, a typical total bill analysis (in the same format and with the same assumptions as the Applicant's) to reflect its proposed single-block rate structure for residential customers at the Staff-proposed increase (from Table 1). The bills reflect a 30% reduction in RTC charges in May 2009.

Sheet 10 (Residential Schedule) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 13.25	\$ 11.42	(\$1.83)	-13.8%
0	200	\$ 26.66	\$ 23.74	(\$2.92)	-11.0%
0	300	\$ 40.07	\$ 36.08	(\$4.00)	-10.0%
0	400	\$ 53.50	\$ 48.41	(\$5.09)	-9.5%
0	500	\$ 66.92	\$ 60.75	(\$6.17)	-9.2%
0	600	\$ 79.72	\$ 72.25	(\$7.47)	-9.4%
0	700	\$ 92.53	\$ 83.76	(\$8.77)	-9.5%
0	800	\$ 105.34	\$ 95.27	(\$10.07)	-9.6%
0	900	\$ 118.15	\$ 106.77	(\$11.37)	-9.6%
0	1,000	\$ 130.95	\$ 118.28	(\$12.68)	-9.7%
0	1,200	\$ 156.55	\$ 140.94	(\$15.60)	-10.0%
0	1,500	\$ 194.98	\$ 174.98	(\$20.00)	-10.3%
0	2,000	\$ 258.99	\$ 231.67	(\$27.31)	-10.5%
0	2,200	\$ 284.59	\$ 254.25	(\$30.34)	-10.7%

Sheet 10 (Residential Schedule) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 11.16	\$ 10.58	(\$0.58)	-5.2%
0	200	\$ 22.43	\$ 22.02	(\$0.41)	-1.8%
0	300	\$ 33.75	\$ 33.52	(\$0.22)	-0.7%
0	400	\$ 45.02	\$ 44.97	(\$0.05)	-0.1%
0	500	\$ 56.34	\$ 56.46	\$ 0.12	0.2%
0	600	\$ 67.03	\$ 67.10	\$ 0.07	0.1%
0	700	\$ 77.70	\$ 77.75	\$ 0.05	0.1%
0	800	\$ 88.40	\$ 88.39	(\$0.01)	0.0%
0	900	\$ 99.08	\$ 99.03	(\$0.05)	-0.1%
0	1,000	\$ 109.78	\$ 109.69	(\$0.09)	-0.1%
0	1,200	\$ 121.77	\$ 126.85	\$ 5.07	4.2%
0	1,500	\$ 139.80	\$ 152.62	\$ 12.81	9.2%
0	2,000	\$ 169.82	\$ 195.54	\$ 25.72	15.1%
0	2,200	\$ 181.82	\$ 212.61	\$ 30.79	16.9%

Sheet 10 (Residential Schedule - Opt. Load Mgmt. Rate) (Time-of-Day) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 89.44	\$ 75.14	(\$14.30)	-16.0%
5	730	\$ 92.96	\$ 83.19	(\$9.77)	-10.5%
5	925	\$ 99.44	\$ 98.13	(\$1.32)	-1.3%
5	1,100	\$ 105.28	\$ 111.39	\$ 6.11	5.8%
5	1,300	\$ 111.94	\$ 126.40	\$ 14.45	12.9%
10	1,250	\$ 169.45	\$ 146.61	(\$22.84)	-13.5%
10	1,460	\$ 176.46	\$ 162.38	(\$14.08)	-8.0%
10	1,850	\$ 189.46	\$ 191.64	\$ 2.17	1.1%
10	2,200	\$ 201.12	\$ 217.80	\$ 16.68	8.3%
10	2,600	\$ 214.45	\$ 247.60	\$ 33.15	15.5%
15	1,875	\$ 249.50	\$ 217.50	(\$32.00)	-12.8%
15	2,190	\$ 259.99	\$ 241.04	(\$18.95)	-7.3%
15	2,775	\$ 279.50	\$ 284.66	\$ 5.16	1.8%
15	3,300	\$ 296.99	\$ 323.80	\$ 26.80	9.0%
20	2,500	\$ 329.52	\$ 288.15	(\$41.37)	-12.6%
20	2,920	\$ 343.51	\$ 319.45	(\$24.06)	-7.0%
20	3,700	\$ 369.51	\$ 377.60	\$ 8.09	2.2%
20	4,400	\$ 392.85	\$ 429.80	\$ 36.95	9.4%

Sheet 10 (Residential Schedule - Opt. Load Mgmt. Rate) (Time-of-Day) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 76.20	\$ 67.64	(\$8.56)	-11.2%
5	730	\$ 79.72	\$ 73.90	(\$5.81)	-7.3%
5	925	\$ 86.20	\$ 85.53	(\$0.67)	-0.8%
5	1,100	\$ 92.04	\$ 95.81	\$ 3.78	4.1%
5	1,300	\$ 98.70	\$ 107.42	\$ 8.72	8.8%
10	1,250	\$ 131.30	\$ 118.40	(\$ 12.90)	-9.8%
10	1,460	\$ 138.30	\$ 130.60	(\$ 7.70)	-5.6%
10	1,850	\$ 151.31	\$ 153.23	\$ 1.92	1.3%
10	2,200	\$ 162.97	\$ 173.44	\$ 10.47	6.4%
10	2,600	\$ 176.30	\$ 196.44	\$ 20.15	11.4%
15	1,875	\$ 168.81	\$ 161.42	(\$7.39)	-4.4%
15	2,190	\$ 179.30	\$ 179.60	\$ 0.30	0.2%
15	2,775	\$ 198.81	\$ 213.28	\$ 14.47	7.3%
15	3,300	\$ 216.30	\$ 243.49	\$ 27.19	12.6%
20	2,500	\$ 206.35	\$ 204.24	(\$2.11)	-1.0%
20	2,920	\$ 220.34	\$ 228.40	\$ 8.06	3.7%
20	3,700	\$ 246.34	\$ 273.29	\$ 26.95	10.9%
20	4,400	\$ 269.68	\$ 313.59	\$ 43.91	16.3%

FIRSTENERGY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
Case Nos. 07-551-EL-AIR, et al.

Sheet 10 w/Sheet 11 (Residential Schedule w/ Add-on Heat Pump)
(Summer)

Level of Demand (KW)	Sheet 10 Level of Usage (KWH)	Sheet 10 Current Bill	Sheet 11 Level of Usage (KWH)	Sheet 11 Current Bill	Total Current Bill	Proposed Bill	Dollar Increase	Percentage Increase
0	200	\$ 26.66	300	\$ 35.50	\$ 62.16	\$ 60.74	(\$1.42)	-5.3%
0	300	\$ 40.07	300	\$ 35.50	\$ 75.57	\$ 72.24	(\$3.34)	-8.3%
0	400	\$ 53.50	300	\$ 35.50	\$ 89.00	\$ 83.74	(\$5.26)	-9.8%
0	500	\$ 66.92	300	\$ 35.50	\$ 102.42	\$ 95.24	(\$7.18)	-10.7%
0	600	\$ 79.72	300	\$ 35.50	\$ 115.22	\$ 106.75	(\$8.47)	-10.6%
0	700	\$ 92.53	300	\$ 35.50	\$ 128.03	\$ 118.25	(\$9.78)	-10.6%
0	800	\$ 105.34	300	\$ 35.50	\$ 140.84	\$ 129.59	(\$11.25)	-10.7%
0	900	\$ 118.15	300	\$ 35.50	\$ 153.65	\$ 140.93	(\$12.72)	-10.8%
0	1,000	\$ 130.95	300	\$ 35.50	\$ 166.46	\$ 152.27	(\$14.19)	-10.8%
0	1,200	\$ 156.55	300	\$ 35.50	\$ 192.05	\$ 174.95	(\$17.10)	-10.9%
0	1,500	\$ 194.98	300	\$ 35.50	\$ 230.48	\$ 208.97	(\$21.51)	-11.0%
0	2,000	\$ 258.99	300	\$ 35.50	\$ 294.49	\$ 265.52	(\$28.96)	-11.2%
0	2,200	\$ 284.59	300	\$ 35.50	\$ 320.09	\$ 288.11	(\$31.98)	-11.2%

FIRSTENERGY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
Case Nos. 07-551-EL-AIR, et al.

Sheet 10 w/Sheet 11 (Residential Schedule w/ Add-on Heat Pump)
(Winter)

Level of Demand (KW)	Sheet 10 Level of Usage (KWH)	Sheet 10 Current Bill	Sheet 11 Level of Usage (KWH)	Sheet 11 Current Bill	Total Current Bill	Proposed Bill	Dollar Increase	Percentage Increase
0	200	\$ 22.43	300	\$ 15.35	\$ 37.78	\$ 56.44	\$ 18.67	83.2%
0	300	\$ 33.75	300	\$ 15.35	\$ 49.09	\$ 65.39	\$ 16.29	48.3%
0	400	\$ 45.02	300	\$ 15.35	\$ 60.36	\$ 74.33	\$ 13.97	31.0%
0	500	\$ 56.34	300	\$ 15.35	\$ 71.68	\$ 83.28	\$ 11.60	20.6%
0	600	\$ 67.03	300	\$ 15.35	\$ 82.37	\$ 92.22	\$ 9.85	14.7%
0	700	\$ 77.70	300	\$ 15.35	\$ 93.05	\$ 101.17	\$ 8.12	10.5%
0	800	\$ 88.40	300	\$ 15.35	\$ 103.75	\$ 108.05	\$ 4.31	4.9%
0	900	\$ 99.08	300	\$ 15.35	\$ 114.43	\$ 114.94	\$ 0.51	0.5%
0	1,000	\$ 109.78	300	\$ 15.35	\$ 125.13	\$ 121.82	(\$3.31)	-3.0%
0	1,200	\$ 121.77	300	\$ 15.35	\$ 137.12	\$ 135.59	(\$1.53)	-1.3%
0	1,500	\$ 139.80	300	\$ 15.35	\$ 155.15	\$ 156.24	\$ 1.09	0.8%
0	2,000	\$ 169.82	300	\$ 15.35	\$ 185.16	\$ 190.53	\$ 5.36	3.2%
0	2,200	\$ 181.82	300	\$ 15.35	\$ 197.17	\$ 204.20	\$ 7.04	3.9%

Sheet 12 (Residential Water Heating Schedule) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	200	\$ 26.49	\$ 23.32	(\$3.17)	-12.0%
0	300	\$ 39.80	\$ 35.44	(\$4.36)	-11.0%
0	400	\$ 53.11	\$ 47.53	(\$5.58)	-10.5%
0	500	\$ 66.46	\$ 59.66	(\$6.80)	-10.2%
0	600	\$ 76.83	\$ 70.03	(\$6.80)	-8.8%
0	700	\$ 87.21	\$ 80.43	(\$6.78)	-7.8%
0	800	\$ 97.57	\$ 90.81	(\$6.77)	-6.9%
0	900	\$ 107.96	\$ 101.20	(\$6.76)	-6.3%
0	1,000	\$ 118.33	\$ 111.58	(\$6.75)	-5.7%
0	1,100	\$ 128.69	\$ 121.78	(\$6.91)	-5.4%
0	1,200	\$ 139.07	\$ 132.01	(\$7.06)	-5.1%
0	1,500	\$ 170.19	\$ 162.67	(\$7.51)	-4.4%
0	2,000	\$ 222.04	\$ 213.76	(\$8.29)	-3.7%
0	2,500	\$ 273.91	\$ 264.62	(\$9.29)	-3.4%

Sheet 12 (Residential Water Heating Schedule) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	200	\$ 22.27	\$ 21.66	(\$0.61)	-2.7%
0	300	\$ 33.50	\$ 32.97	(\$0.52)	-1.6%
0	400	\$ 44.71	\$ 44.25	(\$0.46)	-1.0%
0	500	\$ 55.94	\$ 55.56	(\$0.38)	-0.7%
0	600	\$ 64.10	\$ 63.36	(\$0.74)	-1.2%
0	700	\$ 72.28	\$ 71.20	(\$1.07)	-1.5%
0	800	\$ 80.45	\$ 79.01	(\$1.43)	-1.8%
0	900	\$ 88.62	\$ 86.84	(\$1.78)	-2.0%
0	1,000	\$ 96.81	\$ 94.67	(\$2.14)	-2.2%
0	1,100	\$ 101.17	\$ 100.84	(\$0.33)	-0.3%
0	1,200	\$ 105.51	\$ 106.99	\$ 1.48	1.4%
0	1,500	\$ 118.62	\$ 125.53	\$ 6.91	5.8%
0	2,000	\$ 140.41	\$ 156.37	\$ 15.96	11.4%
0	2,500	\$ 162.24	\$ 187.00	\$ 24.76	15.3%

Sheet 12 (Residential Wtr. Htg. - Opt. Load Mgmt. Rate) (Time-of-Day) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 85.93	\$ 72.64	(\$13.29)	-15.5%
5	725	\$ 89.23	\$ 80.25	(\$8.98)	-10.1%
5	875	\$ 94.18	\$ 91.68	(\$2.51)	-2.7%
5	913	\$ 95.45	\$ 94.55	(\$0.90)	-0.9%
10	1,250	\$ 150.77	\$ 137.12	(\$13.65)	-9.1%
10	1,450	\$ 157.40	\$ 152.06	(\$5.34)	-3.4%
10	1,750	\$ 167.34	\$ 174.44	\$ 7.11	4.2%
10	1,825	\$ 169.79	\$ 180.02	\$ 10.23	6.0%
10	2,200	\$ 182.21	\$ 207.91	\$ 25.70	14.1%
20	2,500	\$ 280.41	\$ 264.62	(\$15.79)	-5.6%
20	2,900	\$ 293.64	\$ 294.27	\$ 0.63	0.2%
20	3,500	\$ 313.48	\$ 338.74	\$ 25.26	8.1%
20	3,650	\$ 318.43	\$ 349.84	\$ 31.41	9.9%

Sheet 12 (Residential Wtr. Htg. - Opt. Load Mgmt. Rate) (Time-of-Day) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 72.65	\$ 65.34	(\$7.31)	-10.1%
5	725	\$ 75.96	\$ 71.25	(\$4.71)	-6.2%
5	875	\$ 80.91	\$ 80.13	(\$0.78)	-1.0%
5	913	\$ 82.17	\$ 82.36	\$ 0.18	0.2%
10	1,250	\$ 114.20	\$ 110.08	(\$4.13)	-3.6%
10	1,450	\$ 120.83	\$ 121.61	\$ 0.78	0.6%
10	1,750	\$ 130.77	\$ 138.89	\$ 8.13	6.2%
10	1,825	\$ 133.22	\$ 143.19	\$ 9.97	7.5%
10	2,200	\$ 145.64	\$ 164.71	\$ 19.07	13.1%
20	2,500	\$ 168.74	\$ 187.00	\$ 18.26	10.8%
20	2,900	\$ 181.97	\$ 209.85	\$ 27.88	15.3%
20	3,500	\$ 201.81	\$ 244.12	\$ 42.31	21.0%
20	3,650	\$ 206.76	\$ 252.67	\$ 45.91	22.2%

Sheet 13 (Residential Space Heating Schedule) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 12.62	\$ 10.11	(\$2.52)	-19.9%
0	200	\$ 25.59	\$ 21.12	(\$4.47)	-17.5%
0	300	\$ 38.55	\$ 32.14	(\$6.41)	-16.6%
0	400	\$ 51.53	\$ 43.16	(\$8.37)	-16.2%
0	500	\$ 64.50	\$ 54.18	(\$10.33)	-16.0%
0	600	\$ 76.91	\$ 64.42	(\$12.48)	-16.2%
0	700	\$ 89.30	\$ 74.68	(\$14.62)	-16.4%
0	800	\$ 101.71	\$ 84.94	(\$16.77)	-16.5%
0	900	\$ 114.11	\$ 95.19	(\$18.93)	-16.6%
0	1,000	\$ 126.52	\$ 105.44	(\$21.07)	-16.7%
0	1,200	\$ 151.30	\$ 125.61	(\$25.69)	-17.0%
0	1,500	\$ 188.53	\$ 155.89	(\$32.64)	-17.3%
0	2,000	\$ 250.54	\$ 206.34	(\$44.20)	-17.6%

Sheet 13 (Residential Space Heating Schedule) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 10.65	\$ 9.47	(\$1.18)	-11.1%
0	200	\$ 21.63	\$ 19.82	(\$1.81)	-8.4%
0	300	\$ 32.64	\$ 30.21	(\$2.43)	-7.4%
0	400	\$ 43.63	\$ 40.58	(\$3.05)	-7.0%
0	500	\$ 54.64	\$ 50.96	(\$3.68)	-6.7%
0	600	\$ 62.01	\$ 57.86	(\$4.15)	-6.7%
0	700	\$ 69.42	\$ 64.80	(\$4.62)	-6.7%
0	800	\$ 76.80	\$ 71.70	(\$5.10)	-6.6%
0	900	\$ 84.21	\$ 78.63	(\$5.58)	-6.6%
0	1,000	\$ 91.58	\$ 85.54	(\$6.05)	-6.6%
0	1,200	\$ 100.67	\$ 97.18	(\$3.49)	-3.5%
0	1,500	\$ 114.33	\$ 114.67	\$ 0.34	0.3%
0	2,000	\$ 137.04	\$ 143.78	\$ 6.73	4.9%

Sheet 13 (Residential Space Heating - Opt. Load Mgmt. Rate) (Time of Day) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 86.22	\$ 66.98	(\$19.24)	-22.3%
5	750	\$ 90.66	\$ 76.18	(\$14.48)	-16.0%
5	1,000	\$ 99.54	\$ 94.59	(\$4.96)	-5.0%
5	1,250	\$ 108.44	\$ 112.59	\$ 4.15	3.8%
10	1,250	\$ 163.76	\$ 130.67	(\$33.09)	-20.2%
10	1,500	\$ 172.66	\$ 148.68	(\$23.98)	-13.9%
10	2,000	\$ 190.44	\$ 184.69	(\$5.75)	-3.0%
10	2,500	\$ 207.99	\$ 220.45	\$ 12.46	6.0%
20	2,500	\$ 318.56	\$ 256.56	(\$62.00)	-19.5%
20	3,000	\$ 336.13	\$ 292.35	(\$43.78)	-13.0%
20	4,000	\$ 371.22	\$ 363.87	(\$7.35)	-2.0%

Sheet 13 (Residential Space Heating - Opt. Load Mgmt. Rate) (Time of Day) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 70.11	\$ 59.62	(\$10.49)	-15.0%
5	750	\$ 74.55	\$ 66.69	(\$7.86)	-10.5%
5	1,000	\$ 83.44	\$ 80.85	(\$2.59)	-3.1%
5	1,250	\$ 92.33	\$ 94.60	\$ 2.27	2.5%
10	1,250	\$ 109.17	\$ 100.08	(\$9.09)	-8.3%
10	1,500	\$ 118.07	\$ 113.84	(\$4.23)	-3.6%
10	2,000	\$ 135.85	\$ 141.34	\$ 5.50	4.0%
10	2,500	\$ 153.40	\$ 168.60	\$ 15.20	9.9%
20	2,500	\$ 165.80	\$ 172.68	\$ 6.88	4.1%
20	3,000	\$ 183.37	\$ 199.97	\$ 16.60	9.1%
20	4,000	\$ 218.46	\$ 254.49	\$ 36.03	16.5%

Sheet 14 (Residential Water and Space Heating Schedule) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	300	\$ 38.59	\$ 24.28	(\$14.31)	-37.1%
0	400	\$ 51.56	\$ 32.66	(\$18.90)	-36.7%
0	500	\$ 64.57	\$ 41.06	(\$23.50)	-36.4%
0	600	\$ 74.77	\$ 48.62	(\$26.15)	-35.0%
0	700	\$ 84.99	\$ 56.20	(\$28.79)	-33.9%
0	800	\$ 95.17	\$ 63.75	(\$31.43)	-33.0%
0	900	\$ 105.41	\$ 71.33	(\$34.07)	-32.3%
0	1,000	\$ 115.60	\$ 78.90	(\$36.70)	-31.7%
0	1,200	\$ 135.99	\$ 93.69	(\$42.31)	-31.1%
0	1,500	\$ 166.64	\$ 115.92	(\$50.72)	-30.4%
0	2,000	\$ 217.66	\$ 152.94	(\$64.72)	-29.7%
0	2,500	\$ 268.47	\$ 189.73	(\$78.75)	-29.3%
0	3,000	\$ 319.26	\$ 226.51	(\$92.75)	-29.1%

Sheet 14 (Residential Water and Space Heating Schedule) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	300	\$ 32.64	\$ 23.74	(\$8.90)	-27.3%
0	400	\$ 43.65	\$ 31.96	(\$11.69)	-26.8%
0	500	\$ 54.65	\$ 40.18	(\$14.47)	-26.5%
0	600	\$ 62.78	\$ 45.84	(\$16.94)	-27.0%
0	700	\$ 70.18	\$ 51.48	(\$18.70)	-26.6%
0	800	\$ 77.56	\$ 57.08	(\$20.48)	-26.4%
0	900	\$ 84.96	\$ 62.69	(\$22.27)	-26.2%
0	1,000	\$ 92.35	\$ 68.32	(\$24.04)	-26.0%
0	1,200	\$ 101.43	\$ 78.70	(\$22.74)	-22.4%
0	1,500	\$ 115.09	\$ 94.31	(\$20.79)	-18.1%
0	2,000	\$ 137.80	\$ 120.28	(\$17.52)	-12.7%
0	2,500	\$ 160.33	\$ 146.04	(\$14.28)	-8.9%
0	3,000	\$ 182.81	\$ 171.78	(\$11.02)	-6.0%

Sheet 14 (Residential Space and Water Heating - Opt. Load Mgmt. Rate) (Time of Day)
(Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 83.55	\$ 50.51	(\$33.04)	-39.5%
5	750	\$ 87.99	\$ 59.23	(\$28.76)	-32.7%
5	875	\$ 92.45	\$ 67.94	(\$24.51)	-26.5%
5	1,000	\$ 96.89	\$ 76.67	(\$20.23)	-20.9%
10	1,250	\$ 147.34	\$ 97.40	(\$49.94)	-33.9%
10	1,500	\$ 156.25	\$ 114.44	(\$41.81)	-26.8%
10	1,750	\$ 165.14	\$ 131.46	(\$33.68)	-20.4%
10	2,000	\$ 174.03	\$ 148.48	(\$25.55)	-14.7%
10	2,250	\$ 182.81	\$ 165.39	(\$17.42)	-9.5%
15	1,875	\$ 211.14	\$ 143.68	(\$67.46)	-31.9%
15	2,250	\$ 224.36	\$ 169.10	(\$55.26)	-24.6%
15	2,625	\$ 237.53	\$ 194.45	(\$43.08)	-18.1%
15	3,000	\$ 250.69	\$ 219.82	(\$30.87)	-12.3%
15	3,375	\$ 263.87	\$ 245.18	(\$18.69)	-7.1%
20	2,500	\$ 274.70	\$ 189.73	(\$84.98)	-30.9%
20	3,000	\$ 292.26	\$ 223.54	(\$68.72)	-23.5%
20	3,500	\$ 309.81	\$ 257.34	(\$52.47)	-16.9%
20	4,000	\$ 327.37	\$ 291.16	(\$36.21)	-11.1%
20	4,500	\$ 344.93	\$ 324.97	(\$19.96)	-5.8%

Sheet 14 (Residential Space and Water Heating - Opt. Load Mgmt. Rate) (Time of Day)
(Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
5	625	\$ 70.86	\$ 47.26	(\$23.61)	-33.3%
5	750	\$ 75.30	\$ 53.84	(\$21.46)	-28.5%
5	875	\$ 79.76	\$ 60.43	(\$19.33)	-24.2%
5	1,000	\$ 84.20	\$ 67.03	(\$17.18)	-20.4%
10	1,250	\$ 109.95	\$ 81.31	(\$28.64)	-26.0%
10	1,500	\$ 118.86	\$ 94.10	(\$24.76)	-20.8%
10	1,750	\$ 127.75	\$ 106.87	(\$20.89)	-16.3%
10	2,000	\$ 136.63	\$ 119.64	(\$17.00)	-12.4%
10	2,250	\$ 145.42	\$ 132.30	(\$13.12)	-9.0%
15	1,875	\$ 138.36	\$ 113.79	(\$24.57)	-17.8%
15	2,250	\$ 151.58	\$ 132.83	(\$18.76)	-12.4%
15	2,625	\$ 164.75	\$ 151.81	(\$12.94)	-7.9%
15	3,000	\$ 177.91	\$ 170.80	(\$7.11)	-4.0%
15	3,375	\$ 191.09	\$ 189.78	(\$1.32)	-0.7%
20	2,500	\$ 166.55	\$ 146.04	(\$20.51)	-12.3%
20	3,000	\$ 184.12	\$ 171.36	(\$12.76)	-6.9%
20	3,500	\$ 201.66	\$ 196.66	(\$5.00)	-2.5%
20	4,000	\$ 219.23	\$ 221.98	\$ 2.75	1.3%
20	4,500	\$ 236.78	\$ 247.29	\$ 10.51	4.4%

Sheet 15 All Electric Apartment (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 12.60	\$ 9.10	(\$3.50)	-27.8%
0	200	\$ 25.49	\$ 19.07	(\$6.43)	-25.2%
0	300	\$ 38.42	\$ 29.07	(\$9.35)	-24.3%
0	400	\$ 50.81	\$ 38.94	(\$11.87)	-23.4%
0	500	\$ 63.21	\$ 48.83	(\$14.38)	-22.8%
0	600	\$ 75.60	\$ 58.12	(\$17.48)	-23.1%
0	700	\$ 87.98	\$ 67.36	(\$20.62)	-23.4%
0	800	\$ 100.33	\$ 76.58	(\$23.75)	-23.7%
0	1,000	\$ 125.04	\$ 95.01	(\$30.03)	-24.0%
0	1,500	\$ 186.86	\$ 140.32	(\$46.53)	-24.9%
0	2,500	\$ 369.89	\$ 290.34	(\$79.55)	-21.5%

Sheet 15 All Electric Apartment (Winter)

0	100	\$ 10.62	\$ 8.63	(\$1.99)	-18.8%
0	200	\$ 21.58	\$ 18.16	(\$3.41)	-15.8%
0	300	\$ 32.55	\$ 27.71	(\$4.84)	-14.9%
0	400	\$ 36.61	\$ 35.62	(\$1.00)	-2.7%
0	500	\$ 40.69	\$ 43.54	\$ 2.85	7.0%
0	600	\$ 44.76	\$ 49.17	\$ 4.41	9.8%
0	700	\$ 48.84	\$ 54.82	\$ 5.98	12.2%
0	800	\$ 52.91	\$ 60.45	\$ 7.54	14.2%
0	1,000	\$ 61.04	\$ 71.71	\$ 10.66	17.5%
0	1,500	\$ 81.40	\$ 99.06	\$ 17.66	21.7%
0	2,500	\$ 169.90	\$ 201.53	\$ 31.63	18.6%

Sheet 15 (All Electric Apartment Including Water Heating) (Summer)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 12.59	\$ 8.79	(\$3.80)	-30.2%
0	200	\$ 25.50	\$ 18.47	(\$7.04)	-27.6%
0	300	\$ 38.43	\$ 28.17	(\$10.26)	-26.7%
0	400	\$ 48.59	\$ 37.29	(\$11.30)	-23.3%
0	500	\$ 58.75	\$ 46.39	(\$12.36)	-21.0%
0	600	\$ 68.90	\$ 54.93	(\$13.98)	-20.3%
0	700	\$ 79.07	\$ 63.48	(\$15.59)	-19.7%
0	800	\$ 89.23	\$ 72.01	(\$17.22)	-19.3%
0	1,000	\$ 109.54	\$ 89.07	(\$20.47)	-18.7%
0	1,500	\$ 160.35	\$ 130.95	(\$29.40)	-18.3%
0	2,000	\$ 211.15	\$ 172.80	(\$38.34)	-18.2%
0	2,500	\$ 296.78	\$ 241.02	(\$55.77)	-18.8%
0	3,000	\$ 418.41	\$ 345.22	(\$73.19)	-17.5%

Sheet 15 (All Electric Apartment Including Water Heating) (Winter)

Level of Demand (KWH)	Level of Usage (KWH)	Current Bill	Proposed Bill	Dollar Increase	Percent Increase
0	100	\$ 10.60	\$ 8.37	(\$2.23)	-21.0%
0	200	\$ 21.54	\$ 17.63	(\$3.90)	-18.1%
0	300	\$ 32.51	\$ 26.93	(\$5.58)	-17.2%
0	400	\$ 40.61	\$ 35.62	(\$5.00)	-12.3%
0	500	\$ 48.72	\$ 44.31	(\$4.41)	-9.1%
0	600	\$ 56.80	\$ 50.70	(\$6.11)	-10.7%
0	700	\$ 60.89	\$ 56.29	(\$4.60)	-7.6%
0	800	\$ 64.95	\$ 61.86	(\$3.10)	-4.8%
0	1,000	\$ 73.08	\$ 72.99	(\$0.09)	-0.1%
0	1,500	\$ 93.41	\$ 100.03	\$ 6.62	7.1%
0	2,000	\$ 113.77	\$ 127.08	\$ 13.31	11.7%
0	2,500	\$ 147.66	\$ 156.76	\$ 9.10	6.2%
0	3,000	\$ 202.18	\$ 190.71	(\$11.48)	-5.7%

SERVICE MONITORING AND ENFORCEMENT DEPARTMENT

The Service Monitoring and Enforcement Department (SMED), Facilities & Operations Field Division (FOFD), conducted various investigations (corporate office audits and PUCO field Staff site inspections) of the First Energy Service Company (FE), Cleveland Electric Illuminating Company (CEI) distribution system, administrative operations, and specific physical facilities. The purpose of the audits was to assess the compliance of (FE) CEI's programs to maintain system safety and service reliability with rule 4901:1-10-27, Ohio Administrative Code (O.A.C.), Inspection, Maintenance, Repair, and Replacement of Transmission and Distribution Facilities (Circuits and Equipment), and others. Rule 4901:1-10-27 (E)-(2)-(a), O.A.C. requires each electric utility to submit a plan for the inspection, maintenance, repair, and replacement of circuits and equipment, as stated in paragraph (E) (1) of the rule, for review and acceptance by SMED. This report also addresses compliance with rules 4901:1-10-04 (voltage), 05 (metering), 06 (National Electric Safety Code), and 11(distribution circuit performance).

O.A.C. 4901:1-10-27 (D) (1) Scheduled Inspections: Circuits & Equipment

Rule 4901:1-10-27 (D) (1), O.A.C. lists inspection requirements for distribution facilities (circuits and equipment) to maintain safe and reliable service on the following scheduled basis:

(D) (1) Distribution – at least one-fifth of all distribution circuits and equipment shall be inspected annually. All distribution circuits and equipment shall be inspected at least once every five years.

Staff conducted a baseline audit in 2005 and a follow-up audit in 2006, to determine how CEI implemented rule 27(D) (1). Specifically, Staff audited CEI's overhead distribution circuits & equipment inspection program to review various components of the distribution system: pole leaning or rotted; cross arm damage; transformer; down ground; insulators; conductor condition; conductor slack; twisted loops; guy wires; anchors; tree conditions; vehicular damage; and clearance.

Staff conducted a total of forty-six (46) field inspections of CEI's rule 27 (D) (1), O.A.C., overhead distribution circuits & equipment facilities from April, 2003 to March, 2007: six (6) circuits (conductor); three (3) recloser; nine (9) capacitor; and, twenty-eight (28) vegetation control maintenance practices.

Findings

The audits and field inspections confirmed CEI's compliance with its inspection program and with its requirement to annually inspect at least one fifth of all distribution circuits and equipment. It was difficult to confirm CEI's compliance with the required 20% yearly 2004 inspection requirement due to CEI transitioning its records from the hard copy (spreadsheet) format to an electronic database (SAP) system that had not been fully deployed, leaving some inspections unaccounted for. Upon subsequent auditing Staff was able to confirm compliance for 2005.

Recommendations

As a result of the audits, Staff issued recommendations to CEI, requesting the Company have all circuit information incorporated into the SAP database and that CEI return all spreadsheets, denoting circuit inspection discrepancies and repair items recorded from the actual inspection form, to the central records location for filing with each circuit inspection folder. In addition, it was recommended that CEI establish minimum qualifications for their distribution line patrol inspectors. CEI instituted these changes and no further recommendations are needed at this time.

O.A.C 4901:1-10-27 (D) (3) Scheduled Inspections: Substations

Rule 4901:1-10-27 (D) (3), O. A. C., specifies the inspection frequency requirement for substations and equipment to maintain safe and reliable service:

(D) (3) Substations – all transmission and distribution substation and equipment shall be inspected at least once each month.

Staff conducted baseline audits in 2004 of CEI's substation monthly inspection activities. Staff then conducted field verification audits for monthly substations inspections in 2005 for the Cleveland/NorthOHEast distribution substation region.

Staff conducted thirteen (13) inspections of the rule 27 (D) (3), O.A.C., physical condition and security protection of CEI substation facilities from April 2003 to March 2007.

Findings

CEI's Substation Preferred Practices and Methods procedure manual contains the directions for performing substation inspections and maintenance. Staff conducted a random sample survey of CEI substations. Monthly inspections are performed by qualified inspectors and recorded electronically with a focus on major substation equipment. Staff also verified maintenance practices for transformers, including inspection frequency, types, methodology, and personnel. The 2006 audit visually verified substation monthly inspections by viewing a Company displayed database program and work papers. Transformer maintenance (major and minor) records were also reviewed. Staff found that the CEI records in this area were in order, that there were no discrepancies evident for the samples audited, and that the work had been performed by qualified electrician grade personnel.

Recommendations

No recommendations are requested at this time with respect to Substations.

O.A.C 4901:1-10-27 (E) (1) (a) Distribution Inspection, Maintenance, Repair, and Replacement Programs

Rule 4901:1-10-27 (E) (1) (a), O. A. C. requires each electric utility to:

(E) (1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(a) Poles and towers:

Staff conducted initial baseline audits of CEI's program for distribution wood pole inspection & maintenance in 2004 with limited success. Further baseline audits were conducted of CEI in 2005.

Findings

Due to the method of record retention, Staff's assessment of CEI's adherence to the pole inspection and maintenance program could not be made on a CEI specific level. The 2005 Staff audits confirmed that CEI was not following a poles & tower program in accordance with rule 4901:1-10-27 (E) (1) (a), O.A.C., which requires companies to

perform an inspection, maintenance, repair, and replacement program for distribution poles. Rather, CEI was substituting the visual (only) inspection of distribution circuits and equipment at least once every five (5) years or 20% per year as required by the prior rule section (D) (1). FE conducts annual random sample inspections of its pole population. Its inspection consisted of a visual external examination accompanied, at times, with a hammer sounding to indicate voids in the pole interior. At the time of the audit, FE provided Staff data indicating the poles they had examined in the years 2001, 2002, 2003, and 2004 among the 3 operating companies (including CEI) indicated that less than (<) 5% of the pole population was inspected. In addition, Staff believes that CEI's visual only and soundings inspections did not meet the requirements of rule 4901:1-10-27 (E) (1) (a), O.A.C..

In response to the Staff's audit findings, FE (responding for the three operating companies, including CEI), developed, and Staff approved, a new poles & tower program to commence in the third quarter of 2006 that would meet the requirements of rule 4901:1-10-27 (E) (1) (a), O.A.C.. Staff conducted a follow up audit at CEI in the fall of 2006 which disclosed that CEI contract personnel had completed 95% of the scheduled pole inspections for 2006.

Recommendations

As the required 2006 program was being developed by the FE to resolve the noncompliance, Staff conducted numerous reviews of the proposed program and made constructive recommendations to finalize the plan in accordance with rule requirements, which CEI incorporated. To date, CEI is following its new program and therefore no further program recommendations are necessary at this time.

O.A.C 4901:1-10-27 (E) (1) (b) Inspection, Maintenance, Repair, and Replacement: Conductors

The O.A.C. requires each electric utility to:

- (1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(b) Conductors:

Staff conducted baseline and follow-up audits to determine how CEI implements the requirements of rule 4901:1-10-27 (E) (1) (b), O.A.C., for conductors. The audits

showed that the Company has existing programs and procedures in accordance with the rule. CEI utilizes rule 4901:1-10-27 (D) (1), O.A.C., [Overhead Distribution Circuits & Equipment Inspection Program] to implement conductor inspection and maintenance.

Field Staff conducted six (6) inspections for rule 27 (E) (1) (b), O.A.C., for conductors from April 2003 to March 2007.

Findings

The findings were the same as the (D) (1) for distribution circuits & equipment portion above since CEI uses the same process for both. It was difficult to confirm CEI's compliance with a possible noncompliance for not meeting the required 20% yearly 2004 inspection requirement due to the transitioning of records from a hard copy (spreadsheet) format to an electronic database system that had not been fully deployed throughout the CEI operating Company's territory, leaving some inspections unaccounted for. A subsequent data response showed compliance with the 20% rule 27 (D) (1) for CEI. A 2006 follow-up disclosed CEI 20% rule 27 (D) (1) compliance as well.

Recommendations

The recommendations were the same as in the section above on (D) (1) for distribution circuits & equipment because CEI uses the same process for both inspections. As a result of the findings in the initial audit, Staff recommended that the FE (all three operating companies, including CEI), should have all circuit information incorporated into the electronic database. The later audit recommended CEI return all spreadsheets, denoting circuit inspection discrepancies and repair items recorded from the actual inspection form, to the central records location for filing with each circuit inspection folder. In addition, all FE (including CEI) should establish and implement minimum qualifications for their distribution line patrol inspectors. To date, CEI is following its new program and therefore no further recommendations are necessary at this time.

O.A.C. 4901:1-10-27 (E) (1) (c)

Inspection, Maintenance, Repair, and Replacement: Pad-Mounted Transformers]
The O.A.C. requires each electric utility to:

(E) (1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(c) Pad-mounted transformers:

Staff conducted statistical sample audits of CEI pad-mount transformer inspections (visual inspections to check the locking mechanism and integrity of the cabinet). Staff's baseline audit conducted in 2006 disclosed that CEI's circuit inspections also include pad-mounted transformers. In a verification audit conducted in 2006 Staff confirmed that CEI was monitoring circuits using a pad-mounted transformer inspection form which included criteria for: pad-mount identification; locking mechanism; bolt type; cabinet condition (rust); door hinges (condition); pad foundation; tank leakage; accessibility; and physical damage.

Staff revisited the Company in 2007 and conducted a verification audit of CEI pad-mounted transformer inspections.

Field Staff conducted eight (8) inspections of rule 27 (E) (1) (c), O.A.C., for pad-mounted transformers from April 2003 to March 2007.

Findings

Staff field inspections in the fall 2006 identified CEI's inspection forms did not reflect actual on-site conditions, as required by the pad-mounted transformer security inspection program as conducted by CEI. After discussion with Staff, FE senior management immediately initiated a Special Security Inspection Project (SSIP) to determine the extent of the problem by conducting quality control (QC) inspections in all three (3) FE Ohio operating companies. Almost immediately, it became apparent that the Ohio Edison Operating Company (OE) had the same types of probable non-compliance(s) within its territory as CEI had. The third FE operating Company (Toledo Edison Company - TE) was not affected.

As part of the FE senior management's aggressive corrective action to rectify the non-compliances, CEI agreed to completely re-inspect their entire pad-mounted transformer population for security issues by, 06/01/07. Additionally, as part of the remediation agreement, CEI was to:

- (1) Modify documentation (procedures for inspection checklists);
- (2) Match work distributed versus work completed;
- (3) Update mapping for more complete location records; and,
- (4) Retrain inspectors to properly secure and inspect pad-mounted transformers.

Staff conducted a follow-up audit in the summer 2007 to verify that CEI completed re-inspection of their entire pad-mounted transformer population for security issues by the commitment date, 06/01/07. During the audit, CEI advised Staff that all pad-mounted transformers in CEI territory were re-inspected.

Recommendations

In 2006 Staff reviewed the CEI practices for QC. In response to a Staff data request, CEI affirmed that it was not conducting any random sampling for quality control for pad-mounted transformer inspections. The practice had been to review completed inspection forms by CEI employees for completeness and to check for the inspector's signature prior to accepting and processing inspection data.

Based upon the identified probable noncompliance(s) of 4901:1-10-27 (E) (1) (C), O.A.C., that occurred during the time that CEI was not conducting any random QC sampling to assure that pad mounted transformer inspections were being properly performed, Staff recommends that the Commission order CEI to:

- (1) Immediately institute a statistically valid random sample QC audit program for pad-mounted transformer inspections whereby trained personnel would re-inspect pad-mounted transformers previously inspected in order to verify the original inspection documents as a routine practice, not just for noncompliance corrective action. Records should be kept to verify the QC inspections; and,

- (2) Use random (statistical valid sample) QC audits to examine other activities associated with supporting the pad mounted inspection process to assure accuracy:
 - (A) Modify documentation (procedures for inspection checklists);
 - (B) Match work distributed versus work completed;
 - (C) Update mapping for more complete location records; and,
 - (D) Retrain inspectors to properly secure and inspect pad-mounted Transformers.

O.A.C. 4901:1-10-27 (E) (1) (d) and (e)
Inspection, Maintenance, Repair, and Replacement: Line Reclosers/Capacitors

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(d) Line reclosers;

(e) Line capacitors;

Staff conducted statistically valid sample audits of CEI's line recloser and line capacitor inspection programs. Line reclosers are visually inspected for any damage along with the counter reading on each device being recorded. Line capacitors get annual inspections divided into two primary parts; a visual inspection (for both fixed and switched banks) and an operational test (for switched banks only). Staff conducted baseline audits in the fall 2005 and early 2006 to determine the specific details of both programs. Maintenance Minimum Practices are used for each: line reclosers (Recloser Maintenance Practice – RMP) and line capacitors (Capacitor Maintenance Practice – CMP). The RMP and CMP are corporate practices maintained by the Energy Delivery Operations Services Department of FE.

As part of the new audit schedule for 2007-2008, Staff conducted a verification audit of CEI's line reclosers and line capacitors in 2007.

Staff conducted twelve (12) inspections for rule 27 (E) (1) (d) & (e), O.A.C., for line reclosers and line capacitors from April 2003 to March 2007.

Findings

The audits identified that CEI's practices were within the requirements of 4901:1-10-27 (E) (1) (d) & (e), O.A.C. for conducting visual and operational tests as required by the programs filed in the Company's 2005 and 2006 Rule 26 reports. Specifically, there was sufficient source documentation to demonstrate both tests were performed for each of the specific equipment for the years 2005 and 2006.

However, Staff also reviewed CEI's QC practices to assure the 4901:1-10-27(E) (1) (d) & (e), O.A.C. requirements for line reclosers and line capacitors inspection are implemented correctly. Staff discovered that prior to Staff's finding this area did not meet the requirements of the line reclosers and line capacitors inspection program in another FE operating Company (Ohio Edison Company – OE), CEI did not perform any QC oversight practices (second level of verification of inspection results) to ensure quality control for inspection, maintenance, repair and replacement of reclosers or capacitors. Rather, CEI conducted programmatic reviews of inspection forms to assess whether they were filled out correctly, as was the case in pad-mounted transformers above. In CEI's case, these processes worked despite the lack of extra QC checks.

Recommendations

Staff recommends that the Commission order CEI to perform the same corrective and preventative practices as required of the other FE operating Company for line reclosers and line capacitors. Doing so would serve as an extra check and institute equidistant and uniform practices for all three FE operating companies:

- (1) Immediately initiate and continue to conduct an independent QC random (statistically valid sample) audit program of line recloser and line capacitor inspections. The program should include a review process with audit check points for both in process and completed work as a regular practice, not just for corrective action. Records should be kept to verify inspections were conducted; and,

- (2) Assure QC random audits examine other associated activities that support the inspection process to assure accuracy of the inspection records:
 - (A) Train CEI operations personnel involved in the administration, execution, and reporting of distribution inspection programs (line reclosers and line capacitors) on CEI's Preferred Practices (Recloser Maintenance Practice – RMP) and line capacitors (Capacitor Maintenance Practice – CMP) to assure understanding; clearly communicate requirements, and define accountability; and,
 - (B) Establish a process whereby the Manager of Engineering Services, the Directors of Operations Services & Support Services, and the Regional President will verify that the necessary actions have been taken to ensure compliance.

O.A.C. 4901:1-10-27 (E) (1) (f)
Inspection, Maintenance, Repair, and Replacement: Right-of-Way Vegetation

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(e) Right-of-way vegetation control;

In 2004, Staff conducted baseline audits to determine CEI's right-of-way vegetation control – distribution circuit program practices. The purpose of the audits was to check documentation of circuit work and that the chosen circuits had indeed been trimmed pursuant to CEI's stated (4-year cycle) program. In the fall of 2004 and 2005, Staff conducted audits of CEI to verify objective evidence of program activity for the 2004 Annual Work Plan (schedule).

As continued follow-up, in 2007, Staff initiated a desk audit of CEI's right-of-way vegetation control – distribution circuit practices (tree trimming). The purpose of the desk audit was to verify that records were available, as objective evidence, to confirm that the 4-year cycle vegetation management program had been adhered to by CEI using the years 2003 – 2006 as the sample 4-year cycle. CEI's rule 26 reports stated the 4-year cycles had been met. In response to Staff's initial data request CEI only provided a last maintained year (e.g., 2006) notation for tree trimming conducted on circuits during the years 2003 – 2006. In particular, CEI explained that, "If completion of

annual work carried into the following year (e.g., due to circumstances such as refusals, crew availability, etc.), the circuits "planned maintenance year" was not changed. Completed carry-over miles are counted in the originally scheduled year's total." Therefore, CEI did not provide the specific time periods (start date/end date) to show when the tree trimming process was actually conducted in each calendar year. Compounding Staff's concerns around verification of a 4-year cycle, CEI also explained that, "For the purposes of data retention, tree trimming records are maintained for one cycle or three years, whichever is the longer duration. In addition, the IVMS [Integrated Vegetation Management System] was implemented in 2003. As such, the records for 2000, 2001, and 2002 are no longer available."

As a result, it was difficult for Staff to determine the specific time periods (start date/end date) in which all applicable circuits were actually trimmed due to lack of objective evidence (records). Only the date when a circuit was scheduled to be trimmed or when partial work had begun on the circuit was available. Also, since records could no longer be produced going back a full trim cycle (2003-2006), records no longer existed to demonstrate that CEI was implementing a four-year trimming cycle. After further research, CEI provided Staff with additional data. Staff then proceeded to complete the audit to measure the 4-year cycle commitment for the years 2003 – 2006.

Staff conducted another verification audit of CEI's right-of-way vegetation control – distribution circuit program in 2007.

In addition to the audits noted above, Staff conducted twenty-eight (28) inspections for rule 27 (E) (1) (f), O.A.C., for CEI's vegetation control requirements from April 2003 to March 2007.

Lastly, Staff conducted a complete process review of CEI right-of-way vegetation control – distribution circuit program requirements for circuits in 2007. Under this inspection, Staff on-site monitored the process of inspecting and remediating this circuit including observing the initial planning phase; contacting the customers; tagging notification if customers were not home; actual tree trimming in-process; and, the CEI Forester's review of contractor work activity.

Findings

Staff's review of the CEI data for 2003 – 2006 start date/end date disclosed the following areas of concern:

- (1) Missing records prevented a full verification of a 4-year trimming cycle maintenance program:
 - The start date/end date data for a total population of 2,170 FE operating companies (OE, TE, and CEI) distribution circuits was

requested. The provided data covered only 29.68% circuits, leaving 70.32% FE (OE, TE, and CEI) circuits without records and Staff unable to verify actual start date/end date data or compliance with the 4-Year cycle requirement for the sample period.

- Of the FE total, CEI could not provide start date/end date data records for 75.56% circuits.
- (2) Inaccurate data was reported; e.g., completion of a 4-year tree trimming cycle circuit when in fact the time was extended to additional years:
- 20.49% FE (OE, TE, and CEI) circuits had inaccurate timeline data listed in the start date/end date fields; e.g., no data listed (blank) or data showed time periods longer than 4 years for tree trimming. For example, data showed a start date in late December, 2006 with end dates extended to the first quarter 2007. However, CEI's responses to Staff data requests stated that the circuits were last maintained in the prior calendar year (e.g., 2006).
 - Of the FE total questionable data, 27.58% of that total was CEI's inaccurate data.

Recommendations

Staff believes CEI has violated rule 4901:1-10-03 O.A.C. requirements for failure to maintain three (3) years of records (2004, 2005, and 2006) calendar years to verify achievement of the 4-year (2003 - 2006) tree trimming cycle.

- (1) Staff also believes CEI has violated its own commitments to the Staff for rule 4901:1-10-27 (E) (1) (f) O.A.C. to maintain tree trimming records for one cycle or three years, whichever is the longer duration; i.e., 4-years (2003 - 2006).
- (2) Staff recommends that the Commission order CEI to:
- (A) Maintain accurate and complete (start date/end date) records to verify compliance within the IVMS [Integrated Vegetation Management System] computer database format for at least 4-years and additional cycles. In addition, a hard copy backup of the records should also be maintained;
 - (B) Review the hard copy timesheet records (or other contractor records) for calendar years 2003 - 2006 to ascertain the start date/end date data for the missing 807 of 1,068 (75.56%) circuits and input the

dates into IVMS. This would provide at least one full 4-year cycle of records and CEI should provide Staff with a copy of the data;

- (C) Conduct the same input review (as in B above) for any missing 2007 circuit data and take action to assure future years (2008, etc.) going forward have the same data included; and,
- (D) Maintain 4-year cycle tree trimming vegetation management records (items A-C above) for two (2) complete IVMS tree trimming cycles (8 years) since actual time periods to get the work done have extended beyond 4-Years.

O.A.C. 4901:1-10-27 (E) (1) (g)
Inspection, Maintenance, Repair, and Replacement

The O.A.C. requires each electric utility to:

(E)(1) Establish and maintain written programs, procedures and schedules for the inspection, maintenance, repair, and replacement of its transmission and distribution circuits and equipment. These programs shall establish preventative requirements for the electric utility to maintain safe and reliable service. Programs shall include, but are not limited to, the following facilities:

(g) Substations

Staff conducted baseline audits in 2004 of CEI's substation inspection activities in order to determine the details of CEI's equipment maintenance, scheduling, and tracking program practices. Staff then conducted a field verification audit of CEI practices in 2004 to review transformer maintenance activities according to CEI's Preferred Practices Power Transformers Manual for 2004 calendar year activities. In the verification audit, Staff reviewed various tests including Dissolved Gas Analysis (DGA), Total Combustible Gas (TCG), and Power Factor Test (Doble). A 2006 verification audit reviewed CEI practices for the 2005 calendar year for maintenance on transformer components. In 2007, Staff conducted a substation maintenance program audit focusing upon maintenance activities of four (4) major components (breakers, transformers, relays, and voltage regulators) in the three FE operating companies, including CEI. The goal was to examine the records of selected equipment prior to failure to see if the FE companies (including CEI) were performing inspections, testing and maintenance (ITM) in accordance with National Electric Safety Standards (NESC), the Company practices, and, the Electric Service and Safety Standards (ESSS).

Staff conducted thirteen (13) inspections of CEI Substation facilities for rule 27 (E) (1) (g), O.A.C., for examining physical conditions and security protection from April 2003 to March 2007.

Findings

Staff found the CEI records in this area to be in order with no noncompliances for the samples audited, and the work was performed by qualified electrician grade personnel.

Recommendations

Staff recommends the Commission order CEI to utilize more computer database records for the substation ITM practices that are currently mostly kept in hard copy format. The computerized data base would provide access to vital data almost instantaneously, the capability to gather statistics expeditiously, and an improved capability to analyze equipment performance.

O.A.C. 4901:1-10-04 Equipment for Voltage Measurements

These portions of the O.A.C. require that:

Portable indicating instruments (e.g., electro-mechanical indicating, electronic indicating, and electronic indicating and recording) used to test or record service voltage at the customer's premises in response to a customer inquiry or complaint shall be checked for accuracy against a recognized standard. Accuracy checks shall be conducted as recommended by the manufacturer or annually if no period is specified. The most recent accuracy test record shall be kept with each such instrument, or at a central location for the electric industry.

Staff verified that CEI has a methodology (calibration program) for assuring that its equipment used for voltage measurement was checked for accuracy against a recognized standard with accuracy checks conducted as recommended by the manufacturer or annually if no period is specified, with test records kept.

Staff performed a desk review in 2001 of this process. In 2006, Staff conducted a verification audit of the Central Electric Laboratory and examined voltage meter calibration practices as part of the O.A.C. rule 4901:1-10-05 [Metering] review – see next topic below.

Findings

Staff found that the calibration of the voltage measuring equipment is traceable to the National Institute of Standards and Traceability (NIST). The Central Electric Laboratory met the ANSI C12.1, as well as nuclear and International Standards Organization (ISO) standards. No non-compliances were noted.

Recommendations

No recommendations are requested in this area at this time.

O.A.C. 4901:1-10-05 Metering

This rule requires that:

A customer's electric usage shall be metered by commercially acceptable measuring devices that comply with "American National Standards Institute" (ANSI) standards. Meter accuracy shall comply with the 2001 ANSI C12.1 standards. No metering device shall be placed in service or knowingly allowed to remain in service if it violates these standards.

In 2006, Staff conducted a verification audit of the FE Central Electric Laboratory in Akron, OH used for calibration of meter equipment for customers of all three operating companies.

In 2006, as part of the voltage audit, Staff conducted a review of CEI's practices with respect to metering rule compliance to verify that CEI has an ANSI C12.1 standard methodology, as required, for assuring that a customer's electric usage shall be metered by commercially acceptable measuring devices. Staff examined calibration procedures, practices, and records control.

Findings

Staff found that the meters and other equipment examined had traceability to the National Institute of Standards and Traceability (NIST). The laboratory met ANSI C12.1, as well as other (including nuclear and ISO Standards) requirements. The laboratory not only performs the calibration process for meters used to report customer electric usage but supplies the calibration process for FE as well. No non-compliances were noted.

Recommendations

No recommendations are requested in this area at this time.

O.A.C. 4901:1-10-06 National Electrical Safety Code

This rule requires that:

Each electric utility shall comply with the 2002 edition of the American National Standard Institute's, "National Electrical Safety Code". The provisions in "session Order No. 285, "December 1, 1949, referring to the designation of the medium loading district for a part of Ohio remain in effect.

Staff conducted various inspections of FE (CEI) facilities for compliance with the National Electric Safety Code (NESC) requirements during the past four (4) years from April 2003 to March 2007. A total of seventeen (17) inspections evaluated compliance with rule 4901:1-10-06 O.A.C. requirements for substations; pad-mounted transformers; switch gear; and, other (pole or vegetation Issue) topics.

For example, Substation requirements include a need for rooms and spaces; installations require supply conductors or cables rising from the trench to transformers; switchgear, or other equipment mounted on pads shall be so placed and arranged that they will not bear on the edges of holes through the pad nor the edges of bends or other duct work below the pad. Pad-mounted equipment shall have an enclosure that is either locked or otherwise secured against unauthorized entry.

Findings

The following is a list of the routine field inspections Staff conducted by NESC topic and the number of violations of the NESC that were found.

<u>Topic</u>	<u>Inspections</u>	<u>Exceptions</u>
Substations	5	0
Pad-Mount Transformers	9	39
Switch Gear	0	0
Other (Pole/Vegetation)	<u>3</u>	<u>3</u>
Total	17	42

Recommendations

The above Staff identified violations were resolved and or timely corrected and no further action is recommended with the exception of the pad-mounted transformers section contained within this Staff report.

O.A.C. 4901:1-10-11 Distribution Circuit Performance

Rule portions 11(B) (1) and 11(C) require, among other things, that each EDU:

Set forth a method for determining the performance of each EDU's (Electric Distribution Utility) distribution circuits. Each EDU shall submit, no later than ninety days after each reporting period ending on December thirty-first, a report to the director of the consumer services department now the Service Monitoring & Enforcement Department or the director's designee that identifies the lowest performing eight percent (8%) of the EDU's distribution circuits for the previous twelve-month reporting period.

Since 2001, Staff reviewed CEI reports which identified the lowest performing eight percent (8%) of distribution circuits for the previous twelve-month reporting period. Circuits were selected and inspected by field Staff in order to verify that CEI had met its corrective and/or preventative actions commitments.

Staff conducted twenty-seven (27) inspections to measure circuit performance during the past four (4) years from April 2003 to March 2007 of CEI facilities.

Findings

No non-compliances were noted during these inspections.

Recommendations

No recommendations relating to carrying out designated remedial activity are necessary at this time.

Two-Pole Conditions

A two-pole condition is a situation where electric service has been removed from one pole and placed on a new pole, yet the old pole remains in place for several months to sometimes several years after the transfer of the electric service. As a result of Staff

inspections revealing an increase in the number of two-pole conditions, Staff surveyed the regulated electric and telephone companies, (including Time Warner in a voluntary role), in an attempt to reveal what was causing or contributing to the increase. The survey revealed that the level of communication between companies varied, and that the Joint Service Agreement requirements, (responsible for who will remove the pole & when), also varied between companies.

Staff then sought to identify the reason(s) for protracted pole transfer activity and old pole removal; develop measurements for such activity; facilitate solution(s) for the root cause(s); eliminate old (pre 2006) two-pole conditions by 2010; and, resolve all future two-pole conditions within 12 months of their creation.

To date FE has indicated that it does not know how many two-pole conditions currently exist, and that a systematic tracking system for identification and remediation has not been developed.

Recommendations

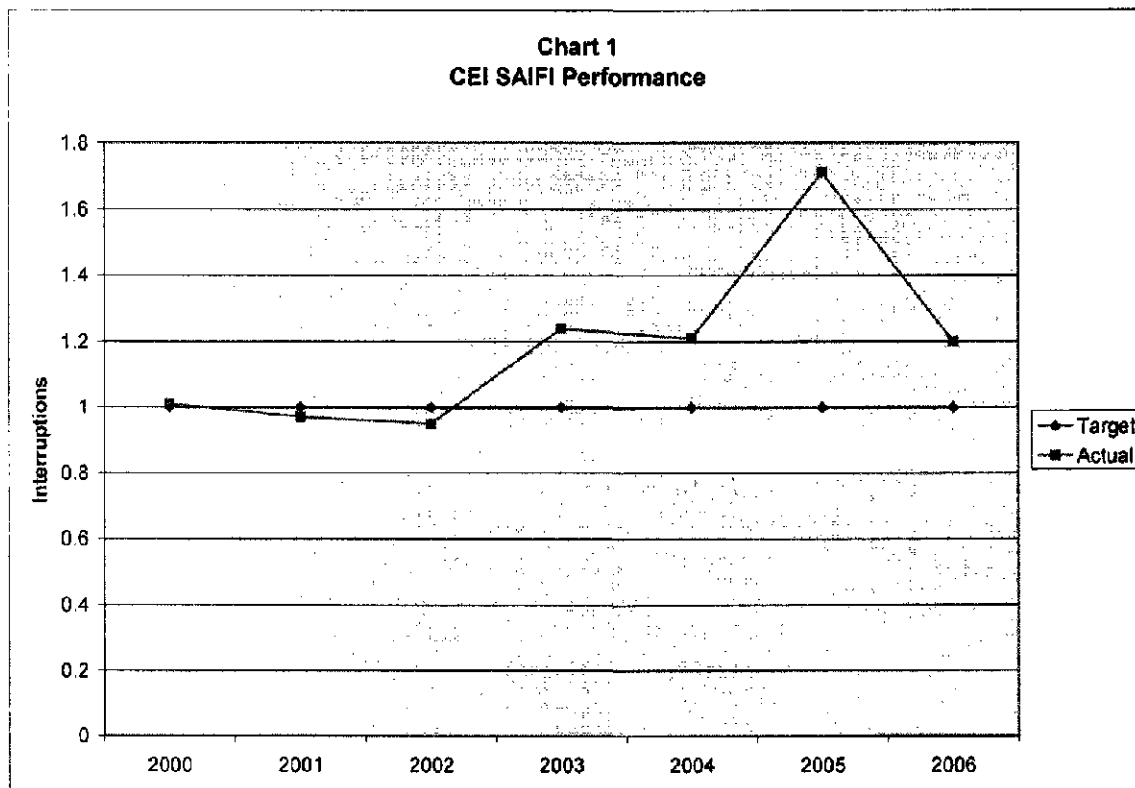
Staff recommends that CEI develop a systematic means of tracking all two-pole conditions in its service territory including: location of poles; date of transfer of electric service; and, date of pole removal.

Also, Staff recommends CEI develop a process whereby it either retains the right of pole removal or simply executes the removal of the old pole, including if necessary a charge back of costs to other pole attaching companies as a result of inactivity of the attaching parties.

SERVICE RELIABILITY ASSESSMENT

The Reliability and Service Analysis Division (RSAD) develops, analyzes, and enforces reliability and service quality policies and rules for utilities. RSAD analyzed CEI's reliability with respect to the Electric Service and Safety Standards, Rule 4901:1-10-10, O.A.C. (ESSS Rule 10), which requires each electric distribution utility (EDU) to provide Staff an annual report of its system-wide performance against a set of reliability targets.¹ These targets relate to the average frequency and duration of service interruptions as well as the average availability of service. In monitoring each EDU's system reliability performance, Staff tracks two primary measures of interruption frequency and duration.

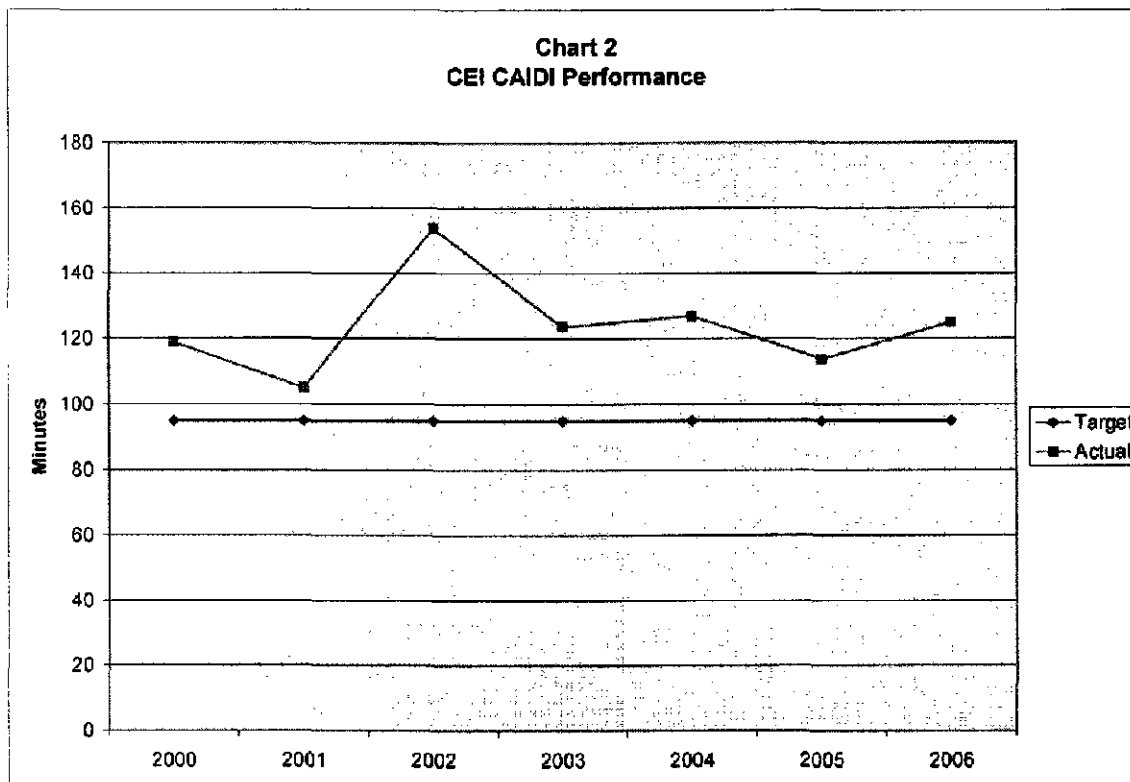
One of these measures is the system average interruption frequency index (SAIFI), which measures the average number of service interruptions per customer. Chart 1 depicts the Applicant's SAIFI performance² in relation to its target since the initiation of annual reporting required by ESSS Rule 10. Chart 1 indicates that CEI missed its SAIFI target during each of the past four years (2003 through 2006) by generating an average interruption frequency that exceeds its target level.



¹ CEI submitted its targets in 1999 to comply with Rule 4901:1-10-10 (B)(2), O.A.C. CEI had previously adopted these same targets in Appendix B of a joint agreement filed on October 5, 1992 in Case No. 92-1747-EL-AAM.

² Both performance and targets reflect the exclusion of major storm data as required by Rule 4901:1-10-10 (B)(3), O.A.C.

The other primary reliability measure Staff tracks is the customer average interruption duration index (CAIDI), which indicates the average time it takes the utility to restore service to those customers who experience outages. Chart 2 depicts the Applicant's CAIDI performance in relation to its target since the initiation of annual reporting required by ESSS Rule 10. As Chart 2 indicates, CEI has missed its CAIDI target during each of the past seven years (2000 through 2007) by generating an average restoration time that exceeds its target level.



During 2005, after lengthy discussions concerning the sufficiency of CEI's action plan for meeting its reliability targets, Staff and the Company agreed on a set of interim targets for CEI to meet during years 2006 and 2007. These interim targets were lower than those in the CEI's annual ESSS Rule 10 report and were designed to get CEI on a path to improvement while recognizing that the resulting improvement would be cumulative in its effect. The Company also agreed that if it missed any of the interim targets, it would hire a consultant to provide Staff with an independent assessment of CEI's infrastructure and operational practices. The Consultant would also recommend steps CEI could take to improve its CAIDI and SAIFI performance. During 2006, CEI missed all of its interim targets which triggered the hiring of a Consultant. Staff developed a request for proposal and selected UMS Group Inc. (UMS) as consultants to conduct a focused assessment under Staff supervision. UMS began this project on July 2 and issued its report on October 30, 2007.

UMS recommends the following short-term actions it believes CEI must take in order to meet its ESSS Rule 10 reliability targets by the end of year 2009.

1. Enhance tree-trimming program to address overhanging limbs and structurally weak trees on the feeder backbone within the first zone (circuit breaker to the first recloser). (recommended completion date 12/31/2008)
2. Ensure lightning protection initiatives focus primarily on the feeder backbone within the first zone, continuing to replace damaged arresters, but also consider adopting a more strategic approach by integrating Fault Analysis & Lightning Location System (FALLS) and National Lightning Detection Network (NLDN) data with other contributing factors, such as type of construction, grounding, and shared structures. (recommended completion date: 12/31/2008)
3. Apply a line/circuit inspection and repair prioritization scheme that focuses initially on the feeder backbone, then in areas where customers experience multiple outages (worst performing circuits and devices), and as a last priority, those areas that have lesser impact on system reliability. (recommended completion date: 12/31/2009)
4. Further sectionalize the 13.2kV feeder backbone (123 circuits with 500 or more customers that do not have reclosers installed are potential candidates), and review for possible sectionalizing, the 230-4kV circuits with more than 500 customers. (recommended completion dates: First 100 circuits with the highest number of backbone customer interruptions by 9/30/2008; second 100 circuits with the highest number of backbone customer interruptions by 5/31/2009)
5. Inspect, maintain and test 4kV exit cable on 30 circuits with the highest number of outages on three phase cable (excluding dig-ins) and repair or replace as necessary, particularly given the age and condition of much of the buried cable. (recommended completion date: 12/31/2008)
6. Systematize the process of determining when to mobilize personnel in anticipation of a storm with expected outages between 50 and 200 per day. (recommended completion date: 6/30/2008)
7. Continue to fully implement partial restoration ("hit and run" for overhead lines; "split and hit" for underground residential distribution cable) when initially servicing customer outages.
8. Continue to fully implement use of the alternate shift, based on documented evidence of reduced outage durations at the critical transition time between normal shifts.

UMS also makes the following long-term recommendations to ensure that CEI continues to meet its ESSS reliability targets for the 10-years following 2009.

1. Maintain Capital Spending at the level currently planned for 2008 (\$84.7 million) for a minimum of 5 years.
2. Establish and adhere to reliability-related investments (could include capacity projects as well) at levels, percentage-wise, commensurate to those for 2007.
3. Consistent with the development of the Asset Management Strategy develop a comprehensive plan to replace and/or refurbish the current electric distribution infrastructure, while in parallel implementing the shorter-term reliability measures (listed above).
4. Accelerate hiring to facilitate the assimilation of new personnel in advance of anticipated attrition (due to retirement).
5. Establish new service center in Geauga County's Claridon Township (recommended completion date: 12/31/2009).

In addition to the short-term and long-term recommendations listed above which present the most cost effective solution for CEI to meet the 2009 performance targets, UMS made the following recommendations that will further enhance CEI's performance but at a lower cost benefit relationship.

1. Enhance tree-trimming program to address overhanging limbs and structurally weak trees on the feeder backbone beyond the first zone.
2. Ensure lightning protection initiatives focus primarily on the remaining portion of the feeder backbone outside of the first zone, continue to replace damaged arresters, but also consider adopting a more strategic approach by integrating Fault Analysis & Lightning Location System (FALLS) and National Lightning Detection Network (NLDN) data with other contributing factors, such as type of construction, grounding, and shared structures.
3. Identify opportunities to replace existing three-phase reclosers with single-phase reclosers (should be considered on a case-by-case basis, depending on the needs of the customer, and the impact to a major commercial or industrial customer that requires three-phase power).
4. Analyze application of instant trip and timed re-close on a circuit-by-circuit basis, considering the nature of the circuit and its customers, the history of success with instant trip/timed re-close on the circuit, and any damage that might be done if the instant trip is not set.
5. Inspect, maintain, and test 4kV exit cable on an additional 30 circuits with the highest number of outages on three phase cable (excluding dig-ins) and repair or replace as necessary, particularly given the age and condition of much of the buried cable.

6. Develop a worst-CEMI (customers experiencing multiple interruptions) program, not necessarily to substantially improve reliability, but to ensure a proper balance with customer satisfaction (key off of Worst Performing Devices Report analyzing all equipment that experiences 2 failures in a month or 3 in a quarter).
7. Replace failure-prone URD cable to avoid customer complaints and save repair costs (minimal impact on improving overall SAIFI).
8. Integrate the Circuit Health Coordinators with the ESSS Inspection Program to provide an over-inspection role, as well as a coordinator to address high-priority reliability-related inspection deficiencies/exceptions.
9. Continue to address the operability of switches on the sub-transmission system.
10. Continue to replace circuit breakers and relays at the substations.
11. Continue the recruiting and training of new dispatchers (in advance of the anticipated wave of retirees) and consider ways to make the position more attractive to the more traditional source of supply (e.g. experienced linemen).
12. Reevaluate level of Staffing with respect to outage response.

Recommendations

Staff recommends the Commission order CEI to immediately implement all the consultant's short-term and long-term recommendations as listed above in accordance with their recommended completion dates.

Staff also recommends that CEI seriously consider implementing the 12 other UMS recommendations, and within 60 days following the Opinion and Order in this case, provide Staff with an implementation schedule for those recommendations the Company plans to implement, or a detailed justification for any recommendations the Company does not plan to implement.

Customer Service Audit

The Service Monitoring and Enforcement Department's (SMED) Investigation and Audit Division (IAD) educates customers about utility issues, mediates disputes, and audits utilities' customer service practices. Staff receives complaints and inquiries through letters, referrals, and calls to its toll-free hotline.

IAD performs audits of regulated utility companies in order to ensure compliance with current rules and regulations. Overall, the audit team found that the customer service practices and policies of the Company, as reviewed and observed by the team, comply with the applicable rules and regulations set forth by the Commission. However, Staff recommends that the Company add details to the deposit information on the website

regarding the alternatives to establish credit, including the option of providing a guarantor or payment record for history with another electric utility.

Subsequent to the customer service audit, the Company made several changes in their disconnection policies. Among these is a reduction in the hours that customers can make a payment and have service restored the same day. While the new policy is still in compliance with the disconnection rules, it has engendered many customer complaints.

Customer Service Assessment

Staff reviewed the contacts made by CEI customers to the Commission's Hotline for the period of January 1, 2005 through October 15, 2007. Overall, 7,544 contacts were made during this period, with 2,668 in 2005, 2,413 in 2006 and 2,463 in 2007 to date.

Contacts about disconnection issues or payment arrangements prompted the largest number of contacts, with 2,164 for the three year period. Before calling the Company, 1,732 customers called IAD. Most of these customers were seeking account information and were directed back to the Company to give the Company the first opportunity to respond to their customers. Next were billing issues with 1,341 contacts.

Service issues, including new service, comprised the next category with 1,553 contacts, including 84 customers who voiced their concerns about the quality of the Company's customer service. Ninety-five customers contacted us over the three year period because they had difficulty reaching the Company. Issues relating to competition including government aggregation accounted for 276 contacts. Seventy-eight customers had comments on the Commission, while 70 had comments on the Company's policies. The other 235 were miscellaneous contacts, such as questions about utility easements.

Contact numbers for each category remained relatively consistent each year with the exception of the disconnection category. These contacts increased from 696 in 2005 to 865 in 2007 to date. Contacts have increased as the Company has tightened its policies on disconnections, while reducing the numbers of customers that can have their service reconnected the same day as they make their restoral payment.

Staff found during customer contacts that when a customer requests to be placed on the Commission-ordered one-third payment plan, the Company does so but then encourages the customer to agree to be placed on the one-sixth payment plan for the remaining balance. If the customer does not agree, then the Company will allow the customer to pay the one-third amount during the winter heating season. However, since the Company's computers are not programmed to accept the one-third plan, the customer must call in each month with a receipt number for the one-third plan amount and state to the representative that he/she wishes to be placed (again) on the one-third

plan. The customer should not be subject to a disconnection notice monthly, when he/she is paying on the Commission-ordered one-third payment plan during the winter heating season. The Company needs to allow customers to use the one-third plan without putting the burden on customers to set up the plan monthly. Staff recommends that the Company update the computer system to permit customers to use *the one-third* plan without burdening customers with extra monthly requirements in order to avoid disconnection of service.

Management and Operations Review

Section 4909.154 of the Ohio Revised Code states that the Public Utilities Commission shall consider the management policies, practices, and organization of public utilities in fixing the just, reasonable, and compensatory rates, joint rates, tolls, classification, charges or rentals to be observed and charged for service of any public utility.

In 1985, the Commission approved an amendment to the Standard Filing Requirements. This amendment (4901-7-01) requires medium and large utilities to include in their rate filings a concisely written summary of their management policies, practices, and organization. Among other things, the summary is to include a discussion of policy and goal setting, strategic and long range planning, organization structure, decision making and controlling, and communications for the Company's executive management process (Schedule S-4.1) as well as for forty-five functional areas common to most electric utility companies (Schedule S-4.2).

Staff routinely reviews the S-4.1 and S-4.2 schedules, applicant performance, and various events relating to the applicant's management. As a result of these review activities, the Staff selects certain management topics for rate case reporting. In the current rate case, the Staff reports on FirstEnergy's (FE) Programs for Energy Conservation and Demand-Side Management and Corporate Affiliated Transactions.

ENERGY CONSERVATION & DEMAND-SIDE MANAGEMENT

Energy conservation and demand-side management, as a tool of utility Company strategy and as a public policy direction has had a spotty history in Ohio over the last twenty years. Demand-side management (DSM) programs are organized utility activities that are intended to affect the amount and timing of customer electricity usage. DSM programs include peak clipping, strategic conservation, load shifting, valley filling, and strategic load growth options. A DSM program is a series of measures intended to encourage specific groups of customers to modify their energy usage patterns in a manner consistent with the utility's objectives while maintaining customer satisfaction.

In the early 1990's, the Commission required electric companies to develop and present integrated resource plans in their Long-Term Forecast Reports to the Commission. Integrated resource planning used both supply-side and demand-side approaches to produce a least-cost plan that met a utility's and its customers' future electric requirements.

In 1999, the passage of Senate Bill 3 restructured the Ohio electric utility industry. The vertically integrated utility industry was split into transmission, generation, and

distribution sectors. Only the distribution sector remained under State (P.U.C.O.) regulation. Since an unregulated market would be responsible for future electric generation, investments by the distribution sector into DSM programs waned.

On January 4, 2006, the Commission issued an Opinion and Order in Case No. 05-1125-EL-ATA, et. al., accepting a stipulation entered into by the majority of parties to the case. In the stipulation, FE agreed to implement DSM programs for the years 2006 through 2008 with a budget of \$25 million.

To review FE's conservation and Demand-Side Management programs, Staff developed an encompassing data request to gather the significant information related to each energy conservation and demand-side management program. In response, FE supplied a narrative of their current energy conservation and demand-side management programs including the budget and the method(s) for evaluating each program. This narrative is supplied in part below.

FIRSTENERGY'S COMMUNITY CONNECTIONS PROGRAM

FE's Community Connections Program provides traditional energy efficiency and weatherization improvements as well as a partnership with Habitat for Humanity to build Energy Star-rated homes, both for low income residential customers. The Community Connections program piggybacks funds on existing state and federal energy assistance programs that are administered by various groups, such as local community action agencies and county departments of development.

The Ohio Partners for Affordable Energy (OPAЕ) currently administers FE's energy efficiency program. Roof repair and replacement and electrical upgrades are included as part of the program even though these items are generally not considered to be weatherization or traditional energy efficiency measures. Habitat for Humanity Ohio currently administers FE's Habitat for Humanity Energy Star program. Customers of the Community Connections Program are typically at or below 150% of the federal poverty income level.

The initial funding for the program was for five (5) years (2001-2005) as stated in FE's Electric Restructuring Plan. The current funding for the program is for three (3) years (2006-2008) as stated in FE's Rate Stabilization Plan. The expenses associated with the program are not included in the current rate case.

FIRSTENERGY'S DEMAND-SIDE MANAGEMENT PROGRAMS

FE's (FE) DSM program for the Ohio distribution utilities for the 2006-2008 time-period consists of two separate programs:

1. Home Performance with Energy Star (HPwES), and
2. Air Conditioning Direct Load Control (DLC).

Evaluation

The Supplemental Stipulation included a provision for the evaluation of both DSM programs. The continuation of either of program will be subject to the program passing a Total Resource Cost (TRC) Test, which compares program benefits to program costs.

Objective

Both programs are designed to pass the TRC Test as well as be cost-effective. The HPwES program should create a market for home improvement contracting that targets a whole house approach to energy efficiency improvements. As a result, comprehensive home energy assessments and energy efficiency improvements should be implemented in customers' homes. The DLC program will be implemented in a way that the cumulative effect of devices in the field can be activated so that load can be reduced during critical times. To accomplish this objective, FE must be able to attain verifiable and reliable results of the devices in the field.

Program Availability

The HPwES program will be available to residential homeowners of existing one-to-four family homes. To achieve the desired load reduction results, the DLC program will be available to residential homeowners who have a central air conditioning system and meet summer usage criteria.

Funding, Budget, & the Rate Case

The Company has requested in its current distribution rate case that all costs to conduct the DSM programs be deferred and recovered through a semi-annual reconcilable rider, including carrying costs. The deferred costs will include administrative costs and any lost distribution revenue resulting from the implementation of the DSM programs. The proposed DSM rider included in the current rate case is designed to collect all DSM costs incurred from residential customers over a three-year period beginning in 2009.

The Supplemental Stipulation set the budget at \$10 million for the HPwES program and \$15 million for the DLC program, initially to be spent over the three-year time frame. However, any funding not spent during 2006-2008 rolls over for one year, thereby potentially extending the programs through 2009.

Home Performance with Energy Star

The HPwES program offers customers a comprehensive home energy assessment performed by an independent contractor who has been trained and certified by the Building Performance Institute (BPI). The contractor will perform diagnostic tests and review the customer's home for energy efficiency improvement opportunities. Following completion of the home energy assessment, the contractor will provide the customer a description of the recommended measures the customer could implement to improve the energy efficiency of their home, specifically targeting areas for electricity savings. Customers will then decide which measures to complete to improve the energy efficiency of their home.

To initiate a robust market for the HPwES program, incentives will be offered to participating contractors and customers. For participating contractors there will be incentives for BPI training and certification, diagnostic equipment, and comprehensive jobs completed. For participating customers, a portion of the home energy assessment will be paid for by FE (paid directly to the contractor). In addition, FE will reimburse the customer for a portion of the cost of qualifying improvements, up to a maximum of \$1,250 per customer as determined in the Supplemental Stipulation.

Program Administration

In May 2007, FE awarded a contract to ICF Consulting to administer all aspects of the HPwES program. ICF's scope of work includes assisting FE in program design and research, contractor training and recruitment, marketing, quality assurance and control, and continuing program review.

A separate contract was awarded to PA Consulting for evaluation of all aspects of the HPwES program in May 2007. PA Consulting's scope of work includes customer and contractor baseline surveys to measure the interest and awareness for home performance contracting, program evaluation of ICF (tracking systems, contractor enrollment, and quality control), and a final program evaluation and impact report.

Air Conditioning Direct Load Control

The DLC program offers customers a Carrier programmable thermostat where both the unit and the installation are at no cost to the customer. As a participant in the DLC program, customers agree to let FE increase their thermostat setting by up to four (4) degrees Fahrenheit for up to a four-hour time period during days of high demand for electricity. FE will not adjust customers' thermostats more than 20 times per year, which is below the limit of 30 times per year set forth in the Supplemental Stipulation.

The Carrier thermostat has wireless two-way communications capability. The thermostat adjustment is initiated by FE through an internet-based software. The

software sends a wireless signal to all participating households through a SkyTel paging system. Following the curtailment event, the thermostat will automatically reset to the customer's previous programmed setting.

The customer has the ability to override the temperature adjustment by pressing a button on the thermostat control panel. The two-way communications feature of the Carrier thermostat allows FE to verify which customers overrode an event and at what time. FE can verify if a household did not receive the signal because of a communications problem. As an incentive to participate, customers receive a gift card upon installation of the thermostat as well as the opportunity to participate in an annual drawing for Energy Star rated appliances.

Program Administration

In May 2007 FE awarded a contract to Carrier to procure the thermostat and communications device for the DLC program. A separate contract was awarded to GoodCents for the administration of all aspects of the DLC program in May 2007. GoodCents' scope of work for the DLC program includes thermostat installation using their technician Staff, marketing, contact center Staffing, scheduling, and continuing program review.

Conclusion:

Staff concludes that FE is making strides in meeting the objectives of the Supplemental Stipulation in FE's Rate Certainty Plan (RCP). The current DSM program offerings appear to be well designed and conservative in nature in that they are designed to pass the TRC Test as well as be cost-effective. As of the date of FE's rate case filing, the Company had projected (through February 2008) the deferral of \$2.49 million for the Toledo Edison service territory, \$4.47 million for the Cleveland Electric Illuminating Company service territory, and \$5.41 million for the Ohio Edison Company service territory.

As of the preparation of this Staff Report, FE's programs are still in their infancy and therefore premature to consider evaluating for their effectiveness in meeting the Company's objectives as well their respective cost vs. benefit values.

Recommendation:

It is not yet apparent what new state laws, policy initiatives, or regulations might impact conservation and demand-side management efforts. It is clear that conservation and DSM programs make more sense with a vertically integrated utility structure. Under the current electric utility and market structure, DSM may have a role in assisting Regional Transmission Operators (RTO's) in maximizing the efficiency in their mix of generating

options to electricity demands in the regional or local system, but the manner in which these DSM costs may best be recovered are not yet clear. Nevertheless, on a national scale, environmental concerns associated with coal fired generating facilities, uncertainty about the future role of nuclear power, and the resulting increased use of natural gas to fuel electric generation, have all combined to put upward pressure on energy prices. Given this environment, conservation and energy efficiency have a positive role to play in controlling energy costs.

Until such State laws, initiatives, or regulations for restructuring the utility industry are forthcoming, Staff has no specific recommendations regarding FE's Energy Conservation and Demand-Side Management Programs. However, as FE's DSM programs mature, it is recommended that these programs be evaluated for their costs and benefits. At that point in time, perhaps a framework will be in place to better identify the true costs and benefits while assuring that the benefits, like the costs, can be shared by the ratepayers funding the programs.

Staff supports FE's proposal for a DSM Rider to track the costs of the Company's DSM programs. The proposed DSM Rider should be exclusive of any DSM costs included in base rates. The DSM Rider would allow the flexibility for interim changes in FE's DSM programs as the situation merits while also providing an audit trail for Staff and the Company to track the costs of the DSM programs. Staff recommends that FE's DSM Rider be reviewed semi-annually, as proposed, and include an evaluation of the Company's DSM programs to that date when each program includes enough data to perform an analysis.

CORPORATE AFFILIATED TRANSACTIONS

Objective

The objective of the investigation was to determine the appropriateness of the type, and cost of the transactions between CEI, OE and TE (the operating companies) and their affiliates, including First Energy Services (FES).

Corporate Structure

FirstEnergy Corporation is a diversified energy Company headquartered in Akron, Ohio. Its subsidiaries and affiliates are involved in the generation, transmission and distribution of electricity as well as energy management and other energy-related services. The Company operates primarily through two core business segments: Regulated Services, which provides transmission and distribution services, and Power Supply Management Services. The Regulated Services segment is comprised of seven electric utility operating companies, including Ohio Edison Co., The Cleveland Electric Illuminating Co., The Toledo Edison Co., Jersey Central Power and Light Co., Pennsylvania Electric Co., Penn Power and Metropolitan Edison Company, and American Transmission Systems Incorporated, which operates the Company's transmission assets. The Power Supply Management Services segment owns and operates most of the Company's generation assets, and is also responsible for wholesale purchase of electricity, energy management and other energy-related services. The primary subsidiaries in this business segment are FirstEnergy Nuclear Operating Company and FirstEnergy Solutions Corporation (formerly FirstEnergy Services Corporation).

Analysis

As part of the investigation Staff reviewed various documents and conducted multiple interviews. The document review included:

- The Service Company Agreement
- A detailed list of all goods and services provided First Energy Solutions (FES) and the operating companies
- The Social Club dues being allocated by FES to the operating companies
- The factors used to allocate cost between FES and its affiliated companies
- 24 months of pre test year data from service Company, which is allocated to the operating companies account (923 outside services)

Staff's review of the charges from FES to the operating companies initially encountered inappropriate social club costs being allocated to the operating companies, the Company explained that this was an oversight and those costs were removed from the

revenue requirement calculation in the supplemental filing. In addition the Staff found that the Service Company Agreement had not been updated since the repeal of the 1935 SEC Act. The Service Company Agreement mentions the Act as a guiding principal and Staff believes the Service Company Agreement should be amended to reflect the Act's repeal.

Staff typically performs simple linear regression analysis on the labor portion of the service Company cost being charged to the operating companies to test the reasonableness of the budgeted portion of the test year fees. However, due to the relatively low R-squared value¹, Staff instead used a moving average of the previous 24 months of charges from FES to the operating companies in account 923 (account 923 captures the largest percentage of charges from FES to the operating companies). Staff found that for CEI, OE and TE the charges, which total \$17,197,919 (CEI), \$22,315,066 (OE), and \$10,165,081 (TE) were within a reasonable range and conclude that no adjustment was necessary.

Findings

Staff found that the Service Company Agreement had not been updated since the repeal of the 1935 SEC Act. The Service Company Agreement mentions the Act as a guiding principal and Staff believes the Service Company Agreement should be amended to reflect the Act's repeal.

¹ Percentage of change explained by movement in a benchmark index-in this case time (months)

AMI/SMART METERING/MODERN GRID

Background

As a part of fulfilling the Energy Policy Act of 2005 the states were charged to investigate whether or not it is appropriate that the First Energy Operating companies provide and install time-based meters and communications devices for each of their customers which enable them to participate in time-based pricing rate schedules and other demand response programs. The Commission initiated such a proceeding, first in case No. 05-1500-EL-COI and then in subsequent Case No. 07-646-EL-UNC through informal workshops held at the Commission to evaluate these issues. The First Energy Operating companies are expected to file with the Staff their initial cost-benefit analysis of an AMI deployment utilizing the McKinsey model on December 13, 2007. The Companies are also expected to file the societal and customer benefits associated with their proposed AMI deployment as well. If such a deployment is determined to be cost-effective, it is expected that the First Energy Operating companies would have a timeline for its deployment.

In addition to an advanced meter infrastructure deployment, parties have also discussed the potential deployment of advanced and automated distribution technologies as a complement to smart meters. Typically, both of these systems would work together and would rely on a common communication network to achieve a larger set of benefits. The AMI benefits alone include increased operating efficiencies, enhanced customer and utility information and communications, demand response savings, and other potential benefits and innovative services (e.g. HAN or Home Area Network).

AMI lays the groundwork for a wide range of operational utility benefits. These benefits include:

- reduced meter reading costs,
- fewer meter-reading errors,
- fewer estimated meter readings,
- fewer billing adjustments,
- reduced need to enter customers' homes to read inside meters
- credit and collection savings
- reduced uncollectible expense
- call center savings
- complaint reduction
- revenue enhancement due to:
 - improved theft detection
 - increased meter accuracy
- remote system monitoring savings

- meter inventory operational savings
- distribution asset management savings

AMI will likely also provide for other, more difficult to quantify benefits including:

- avoided capacity costs due to demand reductions during high price peak periods,
- environmental cost savings,
- additional consumer surplus value from reduced outage times,
- quicker adoption of eCommerce by customers to make payments and understand their consumption patterns

Staff believes that the potential benefits of AMI to First Energy's retail customers justify adopting Rider AMI/Modern Grid as a place-holder. Staff therefore recommends the Commission approve this rider for the Company's operating companies and order the Company to maintain this Rider at a zero-dollar balance until the Staff and the Commission have an opportunity to assess the costs and benefits associated with a FirstEnergy AMI/Modern Grid rollout project as a whole. The Staff recommends that the recovery of such costs through this Rider be net of those utility benefits associated with an AMI/Modern Grid deployment.

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Overall Financial Summary
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules B-1, C-1, C-10, D-1, E-4 and WPA-1.0a-b
and Staff's Schedules B-1, C-1, & Rate of Return Section

Schedule A-1
Page 1 of 1

Line No.	Description	Supporting Schedule Reference	Applicant	Staff	
				Lower Bound	Upper Bound
1	Rate base as of date certain	B-1	\$1,295,815,346	\$1,053,424,590	\$1,053,424,590
2	Current operating income	C-1	\$45,704,892	\$48,856,900	\$48,856,900
3	Earned rate of return (2 / 1)		3.53%	4.64%	4.64%
4	Requested rate of return	Rate of Return Section	9.15%	7.90%	8.35%
5	Rate base associated with RCP deferrals (Reg. Asset and DIT Balance)	B-6	\$212,527,041	\$44,574,514	\$44,574,514
6	Requested rate of return on RCP deferrals	Rate of Return Section	6.65%	6.22%	6.22%
7	Required operating income $\{(1 - 5) \times 4\} + (5 \times 6)$		\$113,253,928	\$82,471,691	\$87,011,516
8	Operating income deficiency (7 - 2)		\$67,549,037	\$33,614,791	\$38,154,616
9	Gross revenue conversion factor	A-1.1	1.6030728	1.5997224	1.5997224
10	Revenue deficiency (8 x 9)		\$108,286,022	\$53,774,333	\$61,036,792
11	Revenue increase requested	E-4	108,598,923	53,774,333	61,036,792
12	Adjusted operating revenues	C-1	441,609,827	435,711,377	435,711,377
13	Revenue requirements (11 + 12)		\$550,208,751	\$489,485,709	\$496,748,169
14	Increase Over Current Revenue (11 / 12)		24.59%	12.34%	14.01%

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Computation of Gross Revenue Conversion Factor
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule WPC-10a-d, Staff's Schedule C-3.12

Schedule A-1.1
Page 1 of 1

Line No.	Description	% of Incremental Gross Revenues
1	Operating Revenues	100.0000%
2	Less:	
3	Uncollectible Accounts	0.6047%
4	PUCO Annual Assessment	0.0000%
5	OCC Annual Assessment	0.0000%
6	CATT Tax	0.1560%
7	Income Before Federal Income Tax = (1) - (3 through 6)	<u>99.2393%</u>
8	State and Municipal Income Tax 3.09229% x (7)	3.0688%
9	Income Before Federal Income Tax	<u>96.1705%</u>
10	Federal Income Tax (9) x 35%	33.6597%
11	Operating Income Percentage (9 - 10)	<u>62.5108%</u>
12	Gross Revenue Conversion Factor 100.000% / (11)	1.599722

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Jurisdictional Rate Base Summary
As of May 31, 2007

Data: X Actual _____ Estimated
Reference No(s): Applicant's & Staff's Schedules B-2, B-3, B-4, B-5 & B-6

Schedule B-1
Page 1 of 1

Line No.	Rate Base Component	Supporting Schedule Reference	Applicant	Staff
1	Plant in service	B-2	\$1,986,786,443	\$1,919,579,156
2	Reserve for accumulated depreciation	B-3	(775,376,611)	(773,008,473)
3	Net Plant in service (1 + 2)		1,211,409,832	1,146,570,683
4	Construction work in progress 75% complete	B-4	0	0
5	Working capital allowance	B-5	0	0
6	Contributions in aid of construction*	B-6	0	0
7	Other rate base items	B-6	84,405,514	(93,146,093)
8	Jurisdictional rate base (3) thru (7)		\$1,295,815,346	\$1,053,424,590

* Contributions in Aid of Construction are netted against gross plant.

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Plant in Service by Major Groupings
As of May 31, 2007

Schedule B-2
Page 1 of 1

Data: X Actual ___ Estimated
Reference No(s): Applicant's Schedule B-2.1 and Staff's Schedule B-2.1

Line No.	Major Property Groupings	Applicant	Staff
1	Production	\$0	\$0
2	Transmission	392,870,985	328,126,339
3	Distribution	1,497,524,976	1,497,524,976
4	General	74,169,702	71,707,059
5	Common	0	0
6	Completed construction not classified	0	0
7	Other (specify) Intangible	22,220,782	22,220,782
8	TOTAL	<u>\$1,986,786,443</u>	<u>\$1,919,579,156</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Plant in Service by Accounts and Subaccounts
As of May 31, 2007

Data: X Actual Estimated
Reference No(s): Applicant's Schedule B-2.3, Staff's Schedule B-7, and Staff's Schedule B-2.2

Schedule B-2.1
Page 1 of 5

Line No.	Account No.	Account Title	Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-2.2	Adjusted Jurisdiction
<u>PRODUCTION</u>							
1	310	Land & Land Rights	\$23,748	0.00000%			
2	311	Structures & Improvements	2,997,093	0.00000%			
3	312	Boiler Plant Equipment	141,309,368	0.00000%			
4	314	Turbogenerator Units	6,186,003	0.00000%			
5	315	Accessory Electric Equipment	1,861,472	0.00000%			
6	316	Miscellaneous Power Plant Equipment	1,392,604	0.00000%			
7	317	Asset Retirement Costs for Steam Production Plant	29,627	0.00000%			
8		Total Production	\$153,799,916	0.00000%			

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Plant in Service by Accounts and Subaccounts
As of May 31, 2007

Data: X Actual — Estimated

Reference No(s): Applicant's Schedule B-2.3, Staff's Schedule B-7, and Staff's Schedule B-2.2

Schedule B-2.1
Page 2 of 5

Line No.	Account No.	Account Title	Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-2.2	Adjusted Jurisdiction
<u>TRANSMISSION PLANT</u>							
9	350	Land & Land Rights	\$64,744,646	100.000000%	\$64,744,646		\$0
10	352	Structures & Improvements	17,696,033	100.000000%	17,696,033	(\$64,744,646)	17,696,033
11	353	Station Equipment	130,054,999	100.000000%	130,054,999		130,054,999
12	354	Towers & Fixtures	326,171	100.000000%	326,171		326,171
13	355	Poles & Fixtures	35,058,262	100.000000%	35,058,262		35,058,262
14	356	Overhead Conductors & Devices	40,582,070	100.000000%	40,582,070		40,582,070
15	357	Underground Conduit	31,379,585	100.000000%	31,379,585		31,379,585
16	358	Underground Conductors & Devices	73,029,219	100.000000%	73,029,219		73,029,219
17	359	Roads & Trails	0	100.000000%	0		0
18	356	Capital Lease	3,046,555	0.000000%	0		0
19		Total Transmission	\$395,917,540	99.23051%	\$392,870,985	(\$64,744,646)	\$328,126,339

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Plant in Service by Accounts and Subaccounts
As of May 31, 2007

Data: X Actual — Estimated
Reference No(s): Applicant's Schedule B-2.3, Staff's Schedule B-7, and Staff's Schedule B-2.2

Schedule B-2.1
Page 3 of 5

Line No.	Account No.	Account Title	Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-2.2	Adjusted Jurisdiction
DISTRIBUTION PLANT							
20	360	Land & Land Rights	\$6,805,764	100.000000%	\$6,805,764		\$6,805,764
21	361	Structures & Improvements	21,581,526	100.000000%	21,581,526		21,581,526
22	362	Station Equipment	193,918,128	100.000000%	193,918,128		193,918,128
23	364	Poles, Towers & Fixtures	223,892,599	100.000000%	223,892,599		223,892,599
24	365	Overhead Conductors & Devices	222,279,153	100.000000%	222,279,153		222,279,153
25	366	Underground Conduit	66,814,249	100.000000%	66,814,249		66,814,249
26	367	Underground Conductors & Devices	250,552,817	100.000000%	250,552,817		250,552,817
27	368	Line Transformers	262,786,172	100.000000%	262,786,172		262,786,172
28	369	Services	67,373,846	100.000000%	67,373,846		67,373,846
29	370	Meters	91,371,838	100.000000%	91,371,838		91,371,838
30	371	Installation on Customer Premises	22,131,615	100.000000%	22,131,615		22,131,615
31	373	Street Lighting & Signal Systems	67,957,190	100.000000%	67,957,190		67,957,190
32	374	Asset Retirement Costs for Distribution Plant	60,079	100.000000%	60,079		60,079
33		Total Distribution	\$1,497,524,974	100.000000%	\$1,497,524,976		\$1,497,524,976

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Plant in Service by Accounts and Subaccounts
As of May 31, 2007

Data: X Actual — Estimated

Schedule B-2.1
Page 4 of 5

Reference No(s): Applicant's Schedule B-2.3, Staff's Schedule B-7, and Staff's Schedule B-2.2

Line No.	Account No.	Account Title	Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-2.2	Adjusted Jurisdiction
<u>GENERAL PLANT</u>							
34	389	Land & Land Rights	\$1,949,721	100.000000%	\$1,949,721		\$1,949,721
35	390	Structures & Improvements	36,239,975	100.000000%	36,239,975		36,239,975
36	390.3	Leasehold Improvements	436,849	100.000000%	436,849		436,849
37	391	Office Furniture & Equipment	9,356,937	100.000000%	9,356,937		9,356,937
38	392	Transportation Equipment	4,356,378	100.000000%	4,356,378	(\$1,334,460)	3,021,918
39	393	Stores Equipment	888,073	100.000000%	888,073		888,073
40	394	Tools, Shop & Garage Equipment	10,718,034	100.000000%	10,718,034		10,718,034
41	395	Laboratory Equipment	5,247,182	100.000000%	5,247,182		5,247,182
42	396	Power Operated Equipment	4,725,623	100.000000%	4,725,623	(\$1,128,183)	3,597,440
43	397	Communication Equipment	13,965	100.000000%	13,965		13,965
44	398	Miscellaneous Equipment	1,555	100.000000%	1,555		1,555
45	399.1	Asset Retirement Costs for General Plant	235,410	100.000000%	235,410		235,410
46	390	Capital Lease	8,581,258	0.000000%	0		0
47		Total General	\$82,750,959	89.63002%	\$74,169,702	(\$2,462,643)	\$71,707,059

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Plant in Service by Accounts and Subaccounts
As of May 31, 2007

Data: X Actual ___ Estimated

Reference No(s): Applicant's Schedule B-2.3, Staff's Schedule B-7, and Staff's Schedule B-2.2

Schedule B-2.1
Page 5 of 5

Line No.	Account No.	Account Title	Total Company	Allocation %	Allocated Total	Adjustments Sec Schedule B-2.2	Adjusted Jurisdiction
<u>OTHER PLANT</u>							
48	303	Intangible	\$22,220,782	100.000000%	\$22,220,782		\$22,220,782
49		GRAND TOTAL PLANT	<u>\$2,152,214,171</u>	92.313600%	<u>\$1,986,786,445</u>	<u>(\$67,207,289)</u>	<u>\$1,919,579,156</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Plant In Service
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-2.2a-c

Schedule B-2.2
Page 1 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>PRODUCTION</u>						
1	310	Land & Land Rights				
2	311	Structures & Improvements				
3	312	Boiler Plant Equipment				
4	314	Turbogenerator Units				
5	315	Accessory Electric Equipment				
6	316	Miscellaneous Power Plant Equipment				
7	317	Asset Retirement Costs for Steam Production Plant				
8		Total Production				

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Plant In Service
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-2.2a-c

Schedule B-2.2
Page 2 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>TRANSMISSION PLANT</u>						
9	350	Land & Land Rights				
10	352	Structures & Improvements				
11	353	Station Equipment				
12	354	Towers & Fixtures				
13	355	Poles & Fixtures				
14	356	Overhead Conductors & Devices				
15	357	Underground Conduit				
16	358	Underground Conductors & Devices				
17	359	Roads & Trails				
18	356	Capital Lease				
19		Total Transmission	(\$64,744,646)			(\$64,744,646)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Plant In Service
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-2.2a-c

Schedule B-2.2
Page 3 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>DISTRIBUTION PLANT</u>						
20	360	Land & Land Rights				
21	361	Structures & Improvements				
22	362	Station Equipment				
23	364	Poles, Towers & Fixtures				
24	365	Overhead Conductors & Devices				
25	366	Underground Conduit				
26	367	Underground Conductors & Devices				
27	368	Line Transformers				
28	369	Services				
29	370	Meters				
30	371	Installation on Customer Premises				
31	373	Street Lighting & Signal Systems				
32	374	Asset Retirement Costs for Distribution Plant				
33		Total Distribution				

Data: X Actual Estimated
Reference No(s): Staff's Schedules B-2.2a-c

Schedule B-2.2
Page 4 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
		GENERAL PLANT				
34	389	Land & Land Rights				
35	390	Structures & Improvements				
36	390.3	Leasehold Improvements				
37	391	Office Furniture & Equipment				
38	392	Transportation Equipment				
39	393	Stores Equipment				
40	394	Tools, Shop & Garage Equipment				
41	395	Laboratory Equipment				
42	396	Power Operated Equipment				
43	397	Communication Equipment				
44	398	Miscellaneous Equipment				
45	399.1	Asset Retirement Costs for General Plant				
46	390	Capital Lease				
47		Total General				

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Plant In Service
As of May 31, 2007

Data: X Actual Estimated
Reference No(s): Staff's Schedules B-2.2a-c

Schedule B-2.2
Page 5 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>OTHER PLANT</u>						
48	303	Intangible				
49		GRAND TOTAL PLANT	<u>(\$64,744,646)</u>	<u>(\$2,019,880)</u>	<u>(\$442,763)</u>	<u>(\$67,207,289)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Transmission Land Plant Adjustment
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Applicant's Schedule B-2.1

Schedule B-2.2a

Purpose and Description		Total Company Adjustment	Allocation Factor	Jurisdictional Amount
1	350 Land & Land Rights Transmission Plant			<u>(\$64,744,646)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Vehicle Plant Adjustment
As of May 31, 2007

Schedule B-2.2b

Data: X Actual Estimated
Reference No(s): Derived From Staff's Data Request 88

Line No.	Account No.	Account Title	
1	392	Transportation Equipment	(\$1,189,634)
2	396	Power Operated Equipment	(830,246)
3		Adjustment	(\$2,019,880)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Vehicle Plant Reclassifications
As of May 31, 2007

Data: X Actual — Estimated
Reference No(s): Derived From Staff's Data Request 88

Schedule B-2.2c

Line No.	Account No.	Account Title	
1	392	Vehicles Transferred to Ohio Edison	(\$81,698)
2	392	Vehicles Transferred to Toledo Edison	(84,527)
3	392	Vehicles Transferred to CEI from Ohio Edison	21,399
4		Adjustment	(\$144,826)
5	396	Vehicles Transferred to Ohio Edison Adjustment	(\$297,937)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Reserve for Accumulated Depreciation
As of May 31, 2007

Schedule B-3
Page 1 of 5

Data: X Actual Estimated
Reference No(s): Applicant's Schedules B-2.1 & B-3.1, Staff's Schedule B-7 & B-3.1

Line No.	Account No.	Major Property Groupings & Account Titles	Total Company Plant Investment	Reserve Balances			
				Total Company	Allocation %	Allocated Total	Adjusted Jurisdiction
PRODUCTION PLANT							
1	310	Land & Land Rights	\$23,748	\$0	0%	\$0	\$0
2	311	Structures & Improvements	2,997,093	1,693,727	0%	0	0
3	312	Boiler Plant Equipment	141,309,368	44,636,693	0%	0	0
4	314	Turbogenerator Units	6,186,003	2,101,082	0%	0	0
5	315	Accessory Electric Equipment	1,861,472	1,145,913	0%	0	0
6	316	Miscellaneous Power Plant Equipment	1,392,604	701,805	0%	0	0
7	317	Asset Retirement Costs for Steam Production	29,627	9,188	0%	0	0
8		Total Production	\$153,799,916	\$50,288,408	0%	\$0	\$0

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Reserve for Accumulated Depreciation
As of May 31, 2007

Schedule B-3
Page 2 of 5

Data: X Actual — Estimated
Reference No(s): Applicant's Schedules B-2.1 & B-3.1, Staff's Schedule B-7 & B-3.1

Line No.	Account No.	Major Property Groupings & Account Titles	Total Company Plant Investment	Reserve Balances				Adjusted Jurisdiction
				Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-3.1	
<u>TRANSMISSION PLANT</u>								
9	350	Land & Land Rights	\$64,744,646	\$199,526	100%	\$199,526	(\$199,526)	\$0
10	352	Structures & Improvements	17,696,033	10,972,459	100%	10,972,459		10,972,459
11	353	Station Equipment	130,054,999	52,669,324	100%	52,669,324		52,669,324
12	354	Towers & Fixtures	326,171	1,577,440	100%	1,577,440		1,577,440
13	355	Poles & Fixtures	35,058,262	27,029,610	100%	27,029,610		27,029,610
14	356	Overhead Conductors & Devices	40,582,070	20,208,387	100%	20,208,387		20,208,387
15	357	Underground Conduit	31,379,585	23,290,186	100%	23,290,186		23,290,186
16	358	Underground Conductors & Devices	73,029,219	23,380,295	100%	23,380,295		23,380,295
17	359	Roads & Trails	0	0	100%	0		0
18	356	Capital Lease	3,046,555	0	0%	0		0
19		Total Transmission	\$395,917,540	\$159,327,227	100%	\$159,327,227	(\$199,526)	\$159,127,701

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Reserve for Accumulated Depreciation
As of May 31, 2007

Schedule B-3
Page 3 of 5

Data: X Actual _____ Estimated
Reference No(s): Applicant's Schedules B-2.1 & B-3.1, Staff's Schedule B-7 & B-3.1

Line No.	Account No.	Major Property Groupings & Account Titles	Total Company Plant Investment	Reserve Balances				Adjusted Jurisdiction
				Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-3.1	
<u>DISTRIBUTION PLANT</u>								
20	360	Land & Land Rights	\$6,805,764	\$20,696	100%	\$20,696		\$20,696
21	361	Structures & Improvements	21,581,526	13,976,688	100%	13,976,688		13,976,688
22	362	Station Equipment	193,918,128	53,222,034	100%	53,222,034		53,222,034
23	364	Poles, Towers & Fixtures	223,892,599	142,582,016	100%	142,582,016		142,582,016
24	365	Overhead Conductors & Devices	222,279,153	117,287,023	100%	117,287,023		117,287,023
25	366	Underground Conduit	66,814,249	30,524,837	100%	30,524,837		30,524,837
26	367	Underground Conductors & Devices	250,552,817	57,856,195	100%	57,856,195		57,856,195
27	368	Line Transformers	262,786,172	77,332,249	100%	77,332,249		77,332,249
28	369	Services	67,373,846	8,690,896	100%	8,690,896		8,690,896
29	370	Meters	91,371,838	35,549,591	100%	35,549,591		35,549,591
30	371	Installation on Customer Premises	22,131,615	6,739,745	100%	6,739,745		6,739,745
31	373	Street Lighting & Signal Systems	67,957,190	35,040,261	100%	35,040,261		35,040,261
32	374	Asset Retirement Costs for Distribution Plant	60,079	31,689	100%	31,689		31,689
33		Total Distribution	\$1,497,524,974	\$578,853,921	100.000000%	\$578,853,921	\$0	\$578,853,921

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Reserve for Accumulated Depreciation
As of May 31, 2007

Data: X Actual — Estimated
Reference No(s): Applicant's Schedules B-2.1 & B-3.1, Staff's Schedule B-7 & B-3.1

Schedule B-3
Page 4 of 5

Line No.	Account No.	Major Property Groupings & Account Titles	Total Company Plant Investment	Reserve Balances				Adjusted Jurisdiction
				Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-3.1	
<u>GENERAL PLANT</u>								
34	389	Land & Land Rights	\$1,949,721	\$8,460	100%	\$8,460		\$8,460
35	390	Structures & Improvements	36,239,975	12,910,324	100%	12,910,324		12,910,324
36	390.3	Leasehold Improvements	436,849	322,356	100%	322,356		322,356
37	391	Office Furniture & Equipment	9,356,937	2,299,804	100%	2,299,804		2,299,804
38	392	Transportation Equipment	4,356,378	3,826,261	100%	3,826,261	(\$1,275,937)	2,550,324
39	393	Stores Equipment	888,073	66,590	100%	66,590		66,590
40	394	Tools, Shop & Garage Equipment	10,718,034	2,286,384	100%	2,286,384		2,286,384
41	395	Laboratory Equipment	5,247,182	1,609,705	100%	1,609,705		1,609,705
42	396	Power Operated Equipment	4,725,623	3,507,194	100%	3,507,194	(892,675)	2,614,519
43	397	Communication Equipment	13,965	47,200	100%	47,200		47,200
44	398	Miscellaneous Equipment	1,555	89,681	100%	89,681		89,681
45	399.1	Asset Retirement Costs for General Plant	235,410	88,434	100%	88,435		88,435
46	390	Capital Lease	8,581,258	0	0%	0		0
47		Total General Plant	\$82,750,959	\$27,062,393	100.000000%	\$27,062,394	(\$2,168,612)	\$24,893,782

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Reserve for Accumulated Depreciation
As of May 31, 2007

Schedule B-3
Page 5 of 5

Data: X Actual _____ Estimated
Reference No(s): Applicant's Schedules B-2.1 & B-3.1, Staff's Schedule B-7 & B-3.1

Line No.	Account No.	Major Property Groupings & Account Titles	Total Company Plant Investment	Reserve Balances				Adjusted Jurisdiction
				Total Company	Allocation %	Allocated Total	Adjustments See Schedule B-3.1	
48	303	Intangible	\$22,220,782	\$10,133,070	100%	\$10,133,070		\$10,133,070
49		GRAND TOTAL PLANT	\$2,152,214,171	\$825,665,019	93.90935%	\$775,376,611	(\$2,368,138)	\$773,008,473

OTHER PLANT

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Depreciation Reserve
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-3, 1a-c

Schedule B-3.1
Page 1 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>PRODUCTION</u>						
1	310	Land & Land Rights				
2	311	Structures & Improvements				
3	312	Boiler Plant Equipment				
4	314	Turbogenerator Units				
5	315	Accessory Electric Equipment				
6	316	Miscellaneous Power Plant Equipment				
7	317	Asset Retirement Costs for Steam Production Plant				
8		Total Production				

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Depreciation Reserve
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-3.1a-c

Schedule B-3.1
Page 2 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>TRANSMISSION PLANT</u>						
9	350	Land & Land Rights				
10	352	Structures & Improvements				
11	353	Station Equipment				
12	354	Towers & Fixtures				
13	355	Poles & Fixtures				
14	356	Overhead Conductors & Devices				
15	357	Underground Conduit				
16	358	Underground Conductors & Devices				
17	359	Roads & Trails				
18	356	Capital Lease				
19		Total Transmission	(\$199,526)			(\$199,526)

(\$199,526)

(\$199,526)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Depreciation Reserve
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-3.1a-c

Schedule B-3.1
Page 3 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>DISTRIBUTION PLANT</u>						
20	360	Land & Land Rights				
21	361	Structures & Improvements				
22	362	Station Equipment				
23	364	Poles, Towers & Fixtures				
24	365	Overhead Conductors & Devices				
25	366	Underground Conduit				
26	367	Underground Conductors & Devices				
27	368	Line Transformers				
28	369	Services				
29	370	Meters				
30	371	Installation on Customer Premises				
31	373	Street Lighting & Signal Systems				
32	374	Asset Retirement Costs for Distribution Plant				
33		Total Distribution				

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Depreciation Reserve
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-3.1a-c

Schedule B-3.1
Page 4 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
<u>GENERAL PLANT</u>						
34	389	Land & Land Rights				
35	390	Structures & Improvements				
36	390.3	Leasehold Improvements				
37	391	Office Furniture & Equipment				
38	392	Transportation Equipment	(\$1,145,170)	(\$130,767)		(\$1,275,937)
39	393	Stores Equipment				
40	394	Tools, Shop & Garage Equipment				
41	395	Laboratory Equipment				
42	396	Power Operated Equipment				
43	397	Communication Equipment	(661,065)	(\$231,610)		(892,675)
44	398	Miscellaneous Equipment				
45	399.1	Asset Retirement Costs for General Plant				
46	390	Capital Lease				
47		Total General	(\$1,806,235)	(\$362,377)		(\$2,168,612)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustments to Depreciation Reserve
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-3.1a-c

Schedule B-3.1
Page 5 of 5

Line No.	Account No.	Account Title	Transmission Land & Land Rights	Vehicle Exclusions	Vehicle Reclassifications	Total Adjustments
OTHER PLANT						
48	303	Intangible				
49		GRAND TOTAL PLANT	(\$199,526)	(\$1,806,235)	(\$362,377)	(\$2,368,138)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Transmission Land & Land Rights Reserve Adjustment
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s) : Applicant's Schedule B-3

Schedule B-3, 1a

Line No.	Account No.	Account Title		
1	350	Land & Land Rights Transmission Plant	<u>(\$199,526)</u>	<u>100.000000%</u>
			<u>(\$199,526)</u>	<u>(\$199,526)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Vehicle Exclusions Reserve Adjustment
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedule WPB-3.1bc

Schedule B-3.1b

Line No.	Account No.	Account Title		
1	392	Transportation Equipment	(\$1,145,170)	(\$1,145,170)
2	396	Power Operated Equipment	(661,065)	(661,065)
3		Total Adjustment	<u>(\$1,806,234)</u>	<u>(\$1,806,235)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Vehicle Reserve Reclassifications
As of May 31, 2007

Date: X Actual ___ Estimated
Reference No(s): Staff's Schedule WPB-3.lbc

Schedule B-3.lc

Line No.	Account No.	Account Title	
1	392	Vehicles Transferred to Ohio Edison	(\$74,741)
2	392	Vehicles Transferred to Toledo Edison	(77,425)
3	392	Vehicles Transferred to CEI from Ohio Edison	21,399
4		Adjustment	(\$130,767)
5	396	Vehicles Transferred to Ohio Edison Adjustment	(\$231,610)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Depreciation Accrual Rates and
Jurisdictional Reserve Balances by Accounts
As of May 31, 2007

Schedule B-3.2
Page 1 of 4

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-2.1, B-3, B-3.2a, & WPB-3.2a & b

Line No. (A)	Account No. (B)	Account Title (C)	Adjusted Jurisdiction		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)
			Plant Investment (D)	Reserve Balance (E)		
<u>TRANSMISSION PLANT</u>						
1	350	Land & Land Rights	\$0	\$0	0.00%	\$0
2	352	Structures & Improvements	17,696,033	10,972,459	2.50%	442,401
3	353	Station Equipment	130,054,999	52,669,324	1.80%	2,340,990
4	354	Towers & Fixtures	326,171	1,577,440	1.77%	5,773
5	355	Poles & Fixtures	35,058,262	27,029,610	3.00%	1,051,748
6	356	Overhead Conductors & Devices	40,582,070	20,208,387	2.78%	1,128,182
7	357	Underground Conduit	31,379,585	23,290,186	2.00%	627,592
8	358	Underground Conductors & Devices	73,029,219	23,380,295	2.00%	1,460,584
9	359	Roads & Trails	0	0		0
10		Total Transmission	\$328,126,339	\$159,127,701		\$7,057,270

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Depreciation Accrual Rates and
Jurisdictional Reserve Balances by Accounts
As of May 31, 2007

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-2.1, B-3, B-3.2a, & WPB-3.2a & b

Schedule B-3.2
Page 2 of 4

Line No. (A)	Account No. (B)	Account Title (C)	Adjusted Jurisdiction		Current Accrual Rate (F)	Calculated Depr. Expense (G=Dx F)
			Plant Investment (D)	Reserve Balance (E)		
<u>DISTRIBUTION PLANT</u>						
11	360	Land & Land Rights	\$6,805,764	\$20,696	0.00%	\$0
12	361	Structures & Improvements	21,581,526	13,976,688	2.50%	539,538
13	362	Station Equipment	193,918,128	53,222,034	1.80%	3,490,526
14	364	Poles, Towers & Fixtures	223,892,599	142,582,016	4.65%	10,411,006
15	365	Overhead Conductors & Devices	222,279,153	117,287,023	3.89%	8,646,659
16	366	Underground Conduit	66,814,249	30,524,837	2.17%	1,449,869
17	367	Underground Conductors & Devices	250,552,817	57,856,195	2.44%	6,113,489
18	368	Line Transformers	262,786,172	77,332,249	2.91%	7,647,078
19	369	Services	67,373,846	8,690,896	4.33%	2,917,288
20	370	Meters	91,371,838	35,549,591	3.16%	2,887,350
21	371	Installation on Customer Premises	22,131,615	6,739,745	3.25%	719,277
22	373	Street Lighting & Signal Systems	67,957,190	35,040,261	3.70%	2,514,416
23	374	Asset Retirement Costs for Distribution Plant	60,079	31,689		0
24		Total Distribution	\$1,497,524,976	\$578,853,921		\$47,336,496

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Depreciation Accrual Rates and
Jurisdictional Reserve Balances by Accounts
As of May 31, 2007

Data: X Actual Estimated
Reference No(s): Staff's Schedules B-2.1, B-3, B-3.2a, & WPB-3.2a & b

Schedule B-3.2
Page 3 of 4

Line No. (A)	Account No. (B)	Account Title (C)	Adjusted Jurisdiction		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)
			Plant Investment (D)	Reserve Balance (E)		
<u>GENERAL PLANT</u>						
25	389	Land & Land Rights	\$1,949,721	\$8,460	0.00%	\$0
26	390	Structures & Improvements	36,239,975	12,910,324	2.20%	797,279
27	390.3	Leasehold Improvements	436,849	322,356	22.34%	25,578
28	391.1	Office Furniture & Equipment	2,718,353	897,984	7.60%	206,595
29	391.2	Data Processing Equipment	6,638,584	1,401,820	10.56%	701,034
30	392	Transportation Equipment	3,021,918	2,550,324	6.07%	183,430
31	393	Stores Equipment	888,073	66,590	6.67%	59,234
32	394	Tools, Shop & Garage Equipment	10,718,034	2,286,384	4.62%	495,173
33	395	Laboratory Equipment	5,247,182	1,609,705	2.31%	121,210
34	396	Power Operated Equipment	3,597,440	2,614,519	4.47%	160,806
35	397	Communication Equipment	13,965	47,200	7.50%	1,047
36	398	Miscellaneous Equipment	1,555	89,681	6.67%	104
37	399.1	Asset Retirement Costs for General Plant	235,410	88,435		0
38		Total General	\$71,707,059	\$24,893,782		\$2,751,490

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Depreciation Accrual Rates and
Jurisdictional Reserve Balances by Accounts
As of May 31, 2007

Schedule B-3.2
Page 4 of 4

Data: X Actual ___ Estimated
Reference No(s): Staff's Schedules B-2.1, B-3, B-3.2a, & WPB-3.2a & b

Line No. (A)	Account No. (B)	Account Title (C)	Adjusted Jurisdiction		Current Accrual Rate (F)	Calculated Depr. Expense (G-DxF)
			Plant Investment (D)	Reserve Balance (E)		
<u>OTHER PLANT</u>						
39	303	Intangible Software	\$19,043,062	\$7,706,604	14.29%	\$2,721,254
40	303	Intangible FAS 109 Transmission	1,176,340	827,274	2.15%	25,300
41	303	Intangible FAS 109 Distribution	2,001,380	1,599,192	3.18%	63,555
		Total Other	\$22,220,782	\$10,133,070		\$2,810,109
42		CURRENT RATE GRAND TOTAL PLANT	\$1,919,579,156	\$773,008,473		\$59,955,365

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Accrual Rate Comparison

FERC Acct. No.	Description	Current			Staff Proposed		
		Avg. Svc. Life	Net Salv. %	Accrual Rate % (a)	Avg. Svc. Life	Net Salv. %	Accrual Rate % (b)
Transmission Plant:							
350	Land and Land Rights						
352	Structures & Improvements	50	(25)	2.50	50	(25)	2.50
353	Station Equipment	50	10	1.80	50	10	1.80
354	Towers & Fixtures	50	(15)	2.30	65	(15)	1.77
355	Poles & Fixtures	45	(75)	3.89	50	(50)	3.00
356	Overhead conductors & Devices	45	(50)	3.33	50	(39)	2.78
357	Underground Conduit	60	(20)	2.00	60	(20)	2.00
358	Underground Conductors & Devices	50	0	2.00	50	0	2.00
359	Roads & Trails						
Distribution Plant:							
360	Land and Land Rights						
361	Structures & Improvements	50	(25)	2.50	50	(25)	2.50
362	Station Equipment	45	10	2.00	50	10	1.80
364	Poles, Towers, & Fixtures	40	(100)	5.00	43	(100)	4.65
365	Overhead Conductors and Devices	40	(70)	4.25	45	(75)	3.89
366	Underground Conduit	60	(30)	2.17	60	(30)	2.17
367	Underground Conductors and Devices	40	(5)	2.63	45	(10)	2.44
368	Line Transformers	40	(25)	3.13	43	(25)	2.91
369	Services	40	(30)	3.25	30	(30)	4.33
370	Meters	38	(20)	3.16	38	(20)	3.16
371	Installation on Customer Premises	40	(30)	3.25	40	(30)	3.25
372	Leased Property on Customer Premises						
373	Street Lighting & Signal Systems	18	0	5.56	27	0	3.70
374	Asset Retirement Costs for Distribution Plant						

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Accrual Rate Comparison

General Plant:

389	Land and Land Rights	50	(10)	2.20	50	(10)	2.20
390	Structures & Improvements	15	10	6.00	13	5	7.60
391.1	Office Furniture and Equipment				9	5	10.56
391.2	Computer Equipment	10	15	8.50	14	15	6.07
392	Transportation Equipment	20	0	5.00	15	0	6.67
393	Stores Equipment	25	3	3.88	21	3	4.62
394	Tools, Shop & Garage Equipment	35	10	2.57	39	10	2.31
395	Laboratory Equipment	15	15	5.67	19	15	4.47
396	Power Operated Equipment	18	(5)	5.83	14	(5)	7.50
397	Communication Equipment						
398	Miscellaneous Equipment	18	0	5.56	15	0	6.67
399.1	Asset Retirement Costs for General Plant						

Other Plant:

303	Intangible	7.0	0.0				14.29
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(a) Case No. 95-300-EL-AIR
(b) See Text

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Construction Work in Progress
As of May 31, 2007

Data: X Actual Estimated
Reference No(s): NONE

Schedule B-4
Page 1 of 1

Line No. (A)	Project No. (B)	Description of Project (C)	Construc. Dollars (D)	AFDC Capitalized (E)	Total Cost (E=D+E)	Allocation % (G)	Total Jurisdictional Cost at Date Certain (H)	Estimated Physical Percent Completion (I)
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The Company has requested no CWIP in this filing.

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Allowance for Working Capital
As of Twelve Months Ending February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule B-5.1 & Staff's Schedule B-5.1 & B-7

Schedule B-5
Page 1 of 1

Line No.	Working Capital Component	Description of Methodology Used to Determine Jurisdictional Requirement	Working Paper Reference No.	Total Company	Allocation %	Jurisdiction
1	Cash Working Capital	Lead-Lag Study	B-5.1	(\$56,189,983)	100.000000%	(\$56,189,983)
2	Fuel Stock	13 Month Average for Test Year	B-5.1	0	0.000000%	0
3	Material & Supplies	13 Month Average for Test Year	B-5.1	25,673,779	77.93718%	20,009,419
4	Customers' Deposits	13 Month Average for Test Year	B-5.1	(8,382,539)	0.000000%	0
5	PIP Uncollectibles Balance	13 Month Average for Test Year	B-5.1	60,998,120	0.000000%	0
6	Total			<u>\$22,099,377</u>		<u>(36,180,564)</u>
7	Effective Allowance for Working Capital					<u>\$0</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Cash Working Capital
Income Statement
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated

Schedule B-5.1

Reference No(s): Applicant's Schedule WPB-5.0a & Staff's Schedule C-3, Staff's Workpapers

Line No.	Description	Jurisdictional 2/29/2008 Amount	C-3 Adjustment Amount	Adjusted Jurisdictional Amount	Lead/Lag Days	Weighted Dollar Days	Cash Working Capital
	(A)	(B)	(C)	(D) = (B)+(C)	(E)	(F) = (D) * (E)	(G) = (F) / 365
1	<u>Operating Revenues</u>						
2	Electric Revenues	\$421,856,480	(\$669,324)	\$421,187,156	27.7	\$11,665,687,124	\$31,960,787
3	Other Revenues	21,738,916	(7,214,695)	14,524,221	15.6	226,371,359	620,196
4							
5	Revenue Lag Allowance	\$443,595,396	(\$7,884,019)	\$435,711,377	27.3	\$11,892,058,483	\$32,580,983
6							
7	<u>Operation & Maintenance Expenses</u>						
8	Purchased Power	(\$39,088,212)	\$39,088,212	\$0	30.5	\$0	\$0
9	Payroll	62,887,639	2,160,321	65,047,960	65.7	4,273,650,993	11,708,633
10	Employee Benefits	10,087,214	6,223,039	16,310,253	21.7	353,636,857	968,868
11	Other O&M:					0	0
12	Tree Trimming Contracting Fees	13,813,701	0	13,813,701	45.2	624,379,285	1,710,628
13	Outside Services Employed - FE Service	9,934,874	0	9,934,874	26.6	264,267,648	724,021
14	Uncollectibles	10,276,431	(7,641,615)	2,634,816	27.5	72,457,436	198,514
15	Other	39,026,127	(2,731,716)	36,294,411	52.3	1,898,197,712	5,200,542
16							
17	Total O&M Expense	106,937,775	37,098,241	144,036,016	52.0	7,486,589,931	20,511,206
18							
19	<u>Depreciation and Amortization</u>						
20	Depreciation Expense	62,248,981	(2,293,616)	59,955,365	0.0	0	0
21	Amortization of Limited-Term Electric Plant	3,024,781	0	3,024,781	0.0	0	0
22	Regulatory Debits / Credits	(71,636,543)	79,667,025	8,030,482	0.0	0	0
23							
24	Total Depreciation and Amortization	(6,362,781)	77,373,409	71,010,628	0.0	0	0
25							
26	<u>Taxes Other Than Income Taxes</u>						
27	Employee Income Taxes	4,597,819	(563,784)	4,034,035	3.5	14,119,123	38,683
28	Ohio CAT Tax	666,947	12,763	679,710	88.3	60,018,371	164,434
29	Ohio KWH Tax	69,029,182	(1,340,277)	67,688,905	35.2	2,382,649,456	6,527,807
30	Ohio Property Tax	65,091,511	22,581,429	87,672,940	293.1	25,696,938,714	70,402,572
31	PA Franchise Tax	2,984,018	0	2,984,018	30.0	89,520,540	245,262
32	Ohio Sales & Use Tax	41,624	0	41,624	19.8	824,155	2,258
33	Other Taxes	3,932	2,464,741	2,468,673	(120.6)	(297,722,001)	(815,677)
34							
35	Total Taxes Other Than Income Taxes	142,415,033	23,154,872	165,569,905	168.8	27,946,348,358	76,565,339
36							
37	<u>Income Taxes</u>						
38	Federal Income Taxes	15,433,255	(9,273,374)	6,159,881	37.5	230,995,538	632,864
39	Ohio State Income Tax	1,410,516	(1,117,268)	293,248	274.3	80,437,941	220,378
40	PA State Income Tax	246,674	(177,479)	69,194	30.0	2,075,832	5,687
41	Municipal	528,058	(328,901)	199,156	87.8	17,485,930	47,907
42	Provision for Deferred Income Taxes	37,669,180	(37,290,004)	379,176	0.0	0	0
43	Investment Tax Credit	(800,276)	(62,450)	(862,726)	0.0	0	0
44							
45	Total Income Taxes	54,487,406	(48,249,476)	6,237,930	53.1	330,995,241	906,836
46							
47	Net Operating Income	146,117,963	(97,261,065)	48,856,898			
48							
49	Interest on Long-Term Debt	(50,872,771)	14,002,910	(36,869,861)	91.2	(3,362,531,323)	(9,212,415)
50	Return on Common Equity	196,990,734	(97,261,065)	99,729,669	0.0	0	0
51							
52	Expense Lag Allowance	\$443,595,396	\$6,118,891	\$449,714,287	72.0	\$32,401,402,207	\$88,770,966
53							
54	Working Capital						(\$56,189,983)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Other Rate Base Items Summary
As of May 31, 2007

Schedule B-6
Page 1 of 5

Date: X Actual — Estimated
Reference No(s): Applicant's Schedules WPB-6 0a-b & B-4 1A-T, and See Footnotes

Line No.	Account No.	Description	Total Company (1)	Allocation % (2)	Allocated Total (3)	Adjustments (4)	Adjusted Jurisdiction (5)
1		Other Regulatory Assets					
2	182.3	Customer Receivables for Future Inc Tax	\$65,462,946	100.00000%	\$65,462,946		\$65,462,946
3	182.3	T & D Postretirement Benefits	9,282,219	88.17338%	8,184,465		8,184,465
4	182.3	Regulatory Transition Charge	301,438,530	0.00000%	0		0
5	182.3	Nuclear Decommissioning/Decommissioning	111,275	0.00000%	0		0
6	182.3	Deferred Shopping Incentive	378,172,310	0.00000%	0		0
7	182.3	MISO Transmission Service Costs	32,369,833	0.00000%	0		0
8	182.3	Municipal Distribution Tax Deferral	416,766	100.00000%	416,766		416,766
9	182.3	RCP - Fuel Deferral	48,968,091	100.00000%	48,968,091	(48,968,091) (a)	0
10	182.3	RCP - Distribution O&M Deferral	83,403,662	100.00000%	83,403,662	(14,243,971) (b)	69,159,691
11	182.3	Ohio Line Extension	5,656,710	100.00000%	5,656,710	(1,899,933) (c)	3,756,788
12	182.3	Transition Tax Deferral	8,480,026	100.00000%	8,480,026		8,480,026
13	182.3	RCP - Demand Side Management	17,017	100.00000%	17,017		17,017
14	182.3	Ohio Rate Case - Incremental Expenses	32,214	100.00000%	32,214	(32,214) (a)	0
15		TOTAL Account 182.3	913,831,621		220,621,897	(65,144,198)	155,477,699
16	189	Unamortized Loss on Resequenced Debt	10,455,870	100.00000%	10,455,870	(10,455,870) (a)	0
17	252	Customers' Advances for Construction	0	100.00000%	0		0
18		Contributions in Aid of Construction (Netted against Gross Plant)	0	100.00000%	0		0
19		Other Deferred Debits:					
20	186	Reserve For Uncertain Tax Positions	21,974,429	100.00000%	21,974,429	(21,974,429) (a)	0
21	186	Ohio Transfer Fees - Admin. Fee for Ohio CBP	368,177	100.00000%	368,177	(368,177) (a)	0
22	186	OH Real & Personal Property Tax - Net	64,759,409	99.62866%	64,759,409		64,759,409
23		TOTAL Account 186	\$87,342,606		\$87,102,015	(\$22,342,606)	\$64,759,409

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Other Rate Base Items Summary
As of May 31, 2007

Date: X Actual Estimated
Reference No(s): Applicant's Schedules WPB-6 Sub-B & B-6.1A-T, and See Footnotes

Schedule B-6
Page 2 of 3

Line No.	Account No.	Description	Total Company (1)	Allocation % (2)	Allocated Total (3)	Adjustments (4)	Adjusted Jurisdiction (5)
24		Other Deferred Credits:					\$0
25	253	Line Protect Deferred Revenue	(\$743,364)	100.00000%	(\$743,364)		(753,364)
26	253	Environmental Liability	(849,260)	91.32099%	(775,538)		(775,538)
27	253	OH Real & Personal Property Tax	(65,000,000)	99.62986%	(64,759,409)		(64,759,409)
28	253	Down Payments SD - Conts	(1,577,954)	100.00000%	(1,577,954)		(1,577,954)
29	253	Lease Liability - BM	(229,849,677)	0.00000%	0		0
30	253	Lease Liability - BV 2	(280,800,000)	0.00000%	0		0
31	253	Energy For Education (EHE2)	(42,439,041)	100.00000%	(42,439,041)	42,439,041 (6)	0
32	253	Environmental Liability - Asbestos Remediation	(528,435)	91.32099%	(482,569)		(482,569)
33		TOTAL Account 253	(621,797,752)		(110,787,905)	42,439,041	(68,348,864)
34		Other Regulatory Liabilities:					
35	254	Asset Removal Cost	(13,556,454)	100.00000%	(13,556,454)		(13,556,454)
36	254	Customer Receivables for Future Inc Tax	(62,922,214)	100.00000%	(62,922,214)		(62,922,214)
37	254	CX - Def Loss Hedging Payments - BM	1,837,760	0.00000%	0		0
38	254	CX - Unsettled Gain - Sale Lease BM	(262,901,193)	0.00000%	0		0
39	254	Competitive Transition Ctg Transfer	231,066,432	0.00000%	0		0
40		TOTAL Account 254	(76,478,668)		(76,478,668)	0	(76,478,668)
41		Investment Tax Credits:					
42	255	Pre-1971 3% Credit	0	32.44757%	0		0
43	255	1971 4% Credit	0	32.44757%	0		0
44	255	1975 6% ADP Credit	(5,290,671)	0.00000%	0		0
45	255	1981 10% Credit on Recovery Property	(14,193,757)	0.00000%	0		0
46	255	ITC Tax Benefits Sold	(75,150)	0.00000%	0		0
47	255	Other	0	0.00000%	0		0
48		TOTAL Investment Tax Credits	(19,549,542)		0	0	0
49	257	Unamortized Gain on Rescued Debt	(\$10,582,076)	100.00000%	(\$10,582,076)	\$10,582,076 (4)	\$0

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Other Rate Base Items Summary
As of May 31, 2007

Date: X Actual Estimated
Reference No(s): Applicant's Schedules WPB-6(a-b & B-6.1A-T, and See Footnotes

Schedule B-6
Page 3 of 5

Line No.	Account No.	Description	Total Company (1)	Allocation % (2)	Allocated Total (3)	Adjustments (4)	Adjusted Jurisdiction (5)
50		Deferred Income Taxes:					
51	190	Nuclear Fuel Disposal	\$1,240,461	0.00000%	\$0		\$0
52	190	Pension and Rightizing Costs	60,489,388	88.17358%	53,335,659		53,335,659
53	190	Gain on Sale/Landback	16,276,589	0.00000%	0		0
54	190	Valuation Account	4,502,066	88.17358%	3,969,633		3,969,633
55	190	Beta Lab Capital Lease	1,129,165	0.00000%	0		0
56	190	Bad Debt Reserve	839,033	100.00000%	839,033		839,033
57	190	Other Taxes	9,461,833	91.32039%	8,640,583		8,640,583
58	190	CAPCO Unit Expense DOE	2,024,502	0.00000%	0		0
59	190	Inventory Write-off	791,664	91.32039%	722,978		722,978
60	190	Capitalized Items	2,355,701	91.32039%	2,154,888		2,154,888
61	190	Non Qualified Trust Gain	1,549,964	0.00000%	0		0
62	190	Dump Site Clean-up Costs	709,510	91.32039%	647,927		647,927
63	190	Supp Exec Retirement Program - Def Comp	5,981,510	88.17358%	5,274,112		5,274,112
64	190	Investment Tax Credit	0	100.00000%	0		0
65	190	Cost of Removal	0	100.00000%	0		0
66	190	Demand Side Management	299,648	100.00000%	299,648		299,648
67	190	Amortization Premium Discount Debt	12,495,432	100.00000%	12,495,432	(12,405,432) (a)	0
68	190	Market Revaluation	37,957,372	0.00000%	0		0
69	190	Asbestos Removal	1,868,126	100.00000%	1,868,126		1,868,126
70	190	VBM	401,511	88.17358%	354,044		354,044
71	190	Reengineering Feature Design	435,461	91.32039%	397,665		397,665
72	190	Transmission Revenue Contingency	2,853	0.00000%	0		0
73	190	Prepaid Customer Revenue	(6,918)	100.00000%	(6,918)		(6,918)
74	190	Energy Management Program	(1,741,271)	100.00000%	(1,741,271)		(1,741,271)
75	190	Incentive Compensation	1,252,192	88.17358%	1,104,103		1,104,103
76	190	R & D Books Capitalization	(850,027)	91.32039%	(776,248)		(776,248)
77	190	Emission Allowances	1,204,471	0.00000%	0		0
78	190	Bond Interest Levied	712	91.32039%	650		650
79	190	Lease Market Valuation - B. Mansfield	81,210,131	0.00000%	0		0
80	190	Lease Market Valuation - B. Valley #2	101,279,160	0.00000%	0		0
81	190	Fix 109 Adjustment	33,407,946	100.00000%	33,407,946		33,407,946
82	190	Asset Retirement Obligation	39,050	100.00000%	39,050		39,050
83	190	CSU Settlement	217,134	100.00000%	217,134		217,134
84	190	Sovereign Estimate	\$6,541,324	88.17358%	\$5,767,720		\$5,767,720

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Other Rate Base Items Summary
As of May 31, 2007

Schedule B-6
Page 4 of 5

Data: X Actual Estimated
Reference No(s): Applicant's Schedules WFB-6.0a-b & B-6.1A-T, and See Footnotes

Line Account No.	Description	Total Company (1)	Allocation % (2)	Allocated Total (3)	Adjustments (4)	Adjusted Jurisdiction (5)
85 190	Sec 199 Interest Amortized	(344,043)	91.32039%	(340,225)		(340,225)
86 190	Software Cost	(1,126,771)	91.32039%	(1,028,972)		(1,028,972)
87 190	Merger Cost Expensed	3,176,831	91.32039%	2,901,085		2,901,085
88 190	Deferred Comp-ETC Book Ded	307,472	88.17358%	271,109		271,109
89 190	Blue Cross/Blue Shield Close out	(129,434)	88.17358%	(114,127)		(114,127)
90 190	Plant Consulting DB	63,855	0.00000%	0		0
91 190	Customer Energy Management	1,515,170	100.00000%	1,515,170		1,515,170
92 190	CSC Pas 106 Adj	-408,469	88.17358%	-360,109		-360,109
93 190	Bond Issuance Cost	(91,260)	91.32039%	(83,339)		(83,339)
94 190	Installation Site Interest	6,795	91.32039%	6,205		6,205
95 190	Accounts Receivable Accrual	208,294	100.00000%	208,294		208,294
96 190	kWh tax	556,360	100.00000%	556,360		556,360
97 190	Restricted Stock Units	38,030	88.17358%	33,532		33,532
98 190	FTN 47	0	100.00000%	0		0
99 190	Compensation Expense	48,062	88.17358%	42,378		42,378
100 190	Performance Shares	15,114	88.17358%	13,327		13,327
101 190	Line Protection - Deferred Revenue	347,596	100.00000%	347,596		347,596
102 190	Pension Costs Capitalized	2,359,002	88.17358%	2,359,002		2,359,002
103	TOTAL Account 190	385,795,615		136,359,398	(12,495,432)	123,863,966
104 281	Pollution Control Facilities	(2,538,721)	0.00000%	0		0
105 282	Accelerated vs Book Depreciation	(276,315,604)	89.16698%	(246,383,360)		(246,383,360)
106 283	Deferred Gain - Fossil Generation	(57,760,211)	0.00000%	0		0
107 283	Deferred Gain - Nuclear Generation	(150,510,469)	0.00000%	0		0
108 283	Stock Option Expense & Deduction	(265,507)	88.17358%	(234,103)		(234,103)
109 283	Municipal Distribution Tax Deferral	(798,887)	100.00000%	(798,887)		(798,887)
110 283	RCP - Fuel Deferral	(17,671,654)	100.00000%	(17,671,654)		(17,671,654)
111 283	RCP - Distribution O&M Deferral	(28,723,337)	100.00000%	(28,723,337)		(28,723,337)
112 283	FICA Vacation Adj	(185,521)	88.17358%	(163,581)		(163,581)
113 283	Injuries and Damages	(51,057,066)	88.17358%	(45,012,071)		(45,012,071)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Other Rate Base Items Summary
As of May 31, 2007

Data: X Actual — Estimated
Reference Note: Applicant's Schedules WPB-6.0a-b & B-6.1A-T, and See Footnotes

Schedule B-6
Page 5 of 5

Line Account No.	Description	Total Company (1)	Allocation % (2)	Allocated Total (3)	Adjustments (4)	Adjusted Jurisdiction (5)
114 283	Non Qual Discount Trust Interest Income	(\$126,747)	0.00000%	\$0		\$0
115 283	Property Tax Variance	(3,330,630)	99.62986%	(3,318,322)		(3,318,322)
116 283	Health Benefits - Fas 106	(2,891,364)	88.17356%	(2,549,419)		(2,549,419)
117 283	Reacquired Debt Expense - Net	(13,082,518)	100.00000%	(13,082,518)	13,082,518 (a)	0
118 283	System Development Cost	(725,555)	91.32039%	(662,844)		(662,844)
119 283	Savings Plan Min Contrib	0	88.17356%	0		0
120 283	Transition Tax Deferral	(2,652,512)	100.00000%	(2,652,512)		(2,652,512)
121 283	Shopping Credit Incentive Deferral	(166,841,078)	0.00000%	0		0
122 283	Like Kind Exchange - Scrap Cable	(369,379)	100.00000%	(369,379)		(369,379)
123 283	Transmission Cost Allocation	0	0.00000%	0		0
124 283	Ohio Restructuring	0	100.00000%	0		0
125 283	ATSI Deferred Gain	(28,344,156)	0.00000%	0		0
126 283	Income Tax	0	100.00000%	0		0
127 283	Ohio Line Extension	(2,040,627)	0.00000%	0		0
128 283	CTC Regulatory Asset Amort	(68,874,829)	0.00000%	0	683,897 (e)	(1,356,730)
129 283	Interest Income - Qual Discount ARO	0	0.00000%	0		0
130 283	MISO Transmission Deferral	(11,676,575)	0.00000%	0		0
131 283	Nuclear Fuel Trusts - Interest	(18,777,277)	0.00000%	0		0
132 283	Avon 8 Discount Loss	(22,586)	0.00000%	0		0
133 283	RCP - Demand Side Management	(6,125)	0.00000%	(6,125)		(6,125)
134 283	Other Taxes	(3,918,517)	0.00000%	0		0
135 283	PUCO Deferral	(11,625)	100.00000%	(11,625)	11,625 (a)	0
136 283	Performance Shares	(16,061)	91.39831%	(14,690)		(14,690)
137 283	FIN 48	(22,407,477)	91.39831%	(20,460,167)	20,460,167 (a)	0
138	TOTAL Account 283	(603,886,646)		(64,211,865)	57,057,129	(32,654,736)
139	TOTAL Deferred Income Taxes	(492,467,440)		(204,734,827)	44,561,697	(160,173,130)
140	Customer Deposits	68,382,539	100.00000%	(8,382,539)		(8,382,539)
141	TOTAL Other Rate Base Items	(1,022,827,960)		(92,796,233)	(359,860)	(93,146,093)

- (a) Applicant's Schedule B-6
(b) Staff's Distribution Deferral Worksheet
(c) Staff's Line Extension Worksheet
(d) Derived from Staff's Distribution Deferral Worksheet and Applicant's Total Deferred Tax Rate on Schedule WPC-4.1f
(e) Derived from Staff's Line Extension Worksheet and Applicant's Total Deferred Tax Rate on Schedule WPC-4.1f

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Jurisdictional Allocation Statistics

Data: 3 Months Actual & 9 Months Estimated
Work Paper Reference No(s): Applicant's Schedules WPB-7, 1a-r

Schedule B-7
Page 1 of 2

Line No.	Allocation Factor	Statistic Total Company (C)	Adjustment to Total Company Statistic (D)	Adjusted Statistic For Total Company (E=C+D)	Statistic For Rate Area (F)	Allocation Factor (G=F/E)
1	ALLDST					100.00000%
2	NODIST					0.00000%
3	AMORI					24.64082%
4	BRDEP					87.57206%
5	DEP1					99.97956%
6	DEP2					89.16698%
7	FIN48					91.39881%
8	ITC1					32.44757%
9	ITC2					90.22169%
10	M&SI					77.93718%
11	PAYROLL					88.17358%
12	REVENUE					23.96343%
13	PLT1					91.33039%
14	PROD1					95.75097%
15	PROD1a					105.91782%
16	PROD2					0.00000%
17	PROD2a					97.46384%
18	PROD3					95.48239%
19	PROD3a					94.39757%
20	PROD4					0.00000%
21	PROD4a					58.73643%
22	PROD5					100.00000%
23	PROD5a					89.79747%
24	PROD6					82.76252%
25	PROD6a					95.30233%
26	PROD7					0.00000%
27	PROD7a					97.72723%
28	PROD8					0.00000%
29	PROD8a					96.50166%
30	PROD9					99.97033%
31	PROD9a					99.99959%

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Jurisdictional Allocation Statistics

Schedule B-7
Page 2 of 2

Data: 3 Months Actual & 9 Months Estimated
Work Paper Reference No(s): Applicant's Schedules WPB-7, 1a-r

Line No.	Allocation Factor	Statistic Total Company (C)	Adjustment to Total Company Statistic (D)	Adjusted Statistic For Total Company (E=C+D)	Statistic For Rate Area (F)	Allocation Factor (G=F/E)
(A)	(B)	(C)	(D)	(E=C+D)	(F)	(G=F/E)
32	PROPTAX	\$65,333,334	\$0	\$65,333,334	\$65,091,511	99.62986%
33	REG1	148,839,638	0	148,839,638	2,444,375	1.64229%
34	REG2	(90,189,034)	0	(90,189,034)	(61,464,690)	68.15096%
35	REG3	(41,216,845)	0	(41,216,845)	(12,616,228)	30.60940%
36	RENTREV	4,025,069	0	4,025,069	3,012,654	74.84726%
37	OTHERREV	19,539,369	0	19,539,369	10,883,645	55.70111%
38	REV451&456	1,687,937	0	1,687,937	976,031	57.82507%
39	TAX1	129,088,590	0	129,088,590	17,618,504	13.64838%
40	TAX2	(10,928,365)	0	(10,928,365)	37,669,177	-375.62609%
41	TAX3	146,056,492	0	146,056,492	142,415,003	97.50681%
42	TAX4	72,556,922	0	72,556,922	65,625,596	90.44708%
43	VEH1	\$27,529,674	\$0	\$27,529,674	\$26,195,573	95.15395%

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Jurisdictional Proforma Income Statement

Schedule C-1
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule C-1, and Staff's Schedules B-1, C-1.1, & C-2

Line No.	Description	Adjusted Revenue & Expenses	Proposed Increase	Proforma Revenue & Expenses	Riders			Staff Proforma Base Distribution Rev & Exp	Applicant Proforma Base Distribution Rev & Exp
					Rider DSM Demand-Side Management	Rider SKT State kWh Tax			
1	Operating Revenues	\$435,711,377	\$108,598,923	\$544,310,300	\$1,492,562	\$67,794,665		\$613,598,527	\$480,920,523
2	Operating Expenses								
3	Operation & Maintenance	144,036,015	656,698	144,692,713				144,692,713	158,140,819
4	Depreciation	59,955,365		59,955,365				59,955,365	65,327,798
5	Regulatory Credits/Debits	8,030,482		8,030,482	1,490,508			9,520,990	22,393,387
6	Other Amortization	3,024,781		3,024,781				3,024,781	3,024,781
7	Taxes Other Than Income Taxes	165,569,905	169,414	165,739,319	2,330	67,794,665		233,536,314	82,192,416
8	Operating Expenses Before Income Taxes	380,616,549	826,112	381,442,661	1,492,838	67,794,665		450,730,164	331,079,202
9	Income Taxes	6,237,928	39,886,705	46,124,633					
10	Total Operating Expenses and Taxes	386,854,476	40,712,817	427,567,294	1,492,838	67,794,665		450,730,164	367,472,115
11	Net Operating Income	\$48,856,900	\$67,886,106	\$116,743,006	\$724	\$0		\$162,868,363	\$113,448,408
12	Rate Base	\$1,053,424,590		\$1,053,424,590	\$10,892			\$1,053,413,698	\$1,295,804,454
13	Rate of Return	4.64%		11.08%	6.65%			15.46%	8.76%

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Proforma Adjustments
For the Twelve Months Ended February 29, 2008

Schedule C-1.1
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule A-1 and Staff's Schedules C-3.10b & C-3.12

Line No.	Description	
1	Total Proposed Revenue Increase	\$ 108,598,923
2	Uncollectible Accounts Expense (3) x 0.604700%	\$ 656,698
3	CAT Tax (1) x 0.156000%	\$ 169,414
4	Income Taxes	\$ 39,886,705

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjusted Test Year Operating Income
For the Twelve Months Ended February 29, 2008

Schedule C-2
Page 1 of 1

Date: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule C-2, & Staff's Schedule C-3

Line No.	Description	Applicant		Staff	
		Unadjusted Revenue & Expenses	Adjusted Revenue & Expenses	Incremental Adjustments	Adjusted Revenue & Expenses
1	OPERATING REVENUE				
2	Generation				
3	Transmission (RTC)				
4	Transmission				
5	Distribution				
6	Other Operating Revenue	\$421,856,480	\$420,659,239	\$527,917	\$421,187,156
7	Total Operating Revenues	21,738,916	20,950,587	(6,426,366)	14,524,221
8		443,595,396	441,609,827	(5,898,450)	435,711,377
9	OPERATING EXPENSES				
10	Operation & Maintenance Expense				
11	Fuel Deferral (Credit)	(39,088,212)	0	0	0
12	Other Operation and Maintenance	146,025,986	157,318,099	(13,282,064)	144,036,015
13	Total Operation & Maintenance Expense	106,937,774	157,318,099	(13,282,064)	144,036,015
14					
15	Depreciation Expense	62,248,981	65,327,798	(5,372,433)	59,955,365
16					
17	Amortization of Limited-Term Electric Plant	3,034,781	3,024,781		3,024,781
18					
19	Regulatory Credits/Debits	(71,636,343)	23,883,895	(15,853,413)	8,030,482
24					
25	Taxes Other Than Income Taxes	142,415,033	149,819,996	15,749,999	165,569,995
26					
27	Income Taxes	54,487,405	(3,469,636)	9,707,564	6,237,928
28					
29	Total Operating Expenses and Taxes	297,477,431	395,904,934	(9,050,457)	386,854,476
30					
31	Net Operating Income	\$146,117,964	\$45,704,893	\$3,152,007	\$48,856,900

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Summary of Jurisdictional Adjustments to Operating Income
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedules C-3.1 - C-3.18

Schedule C-3
Page 1 of 2

Schedule Reference	Account Nos.	Title of Adjustment	Staff	Applicant	Incremental
<u>Operating Revenue Adjustments</u>					
<u>Retail Sales</u>					
C-3.1	440-444	Reconciliation between E-4 and C-2 for rate schedule revenue			
		Distribution Revenues			
		Distribution Revenue Adjustment for New Net Metering Rules	(\$669,324)	(\$1,197,241)	\$527,917
<u>Other Operating Revenues</u>					
C-3.15	451 & 456	Misc. Service Revenue, A/C 451 and Other Electric Revenue Adjustments	(7,206,037)	187,722	(7,393,759)
C-3.18	450	Forfeited Discounts Revenue Adjustment	(8,658)	0	(8,658)
		Corporate Budget Revenue Adjustment		(976,051)	976,051
		Total Operating Revenue Adjustments	(7,864,019)	(1,985,569)	(5,898,450)
<u>Operating Expense Adjustments</u>					
C-3.5	555	Fuel Deferral (Credit)	39,088,212	39,088,212	0
		Other Operating Expense Adjustments			
C-3.2		Labor Wage Annualization	2,160,321	3,934,140	(1,773,819)
C-3.3		Miscellaneous O&M Expense	(1,014,911)	0	(1,014,911)
C-3.6		Pension & OPEB Adjustment	6,223,039	6,222,000	1,039
C-3.7		Social and Service Club Dues Adjustment	(30,483)	(30,484)	1
C-3.9		PUCO & OCC Reclassification	(2,554,779)	0	(2,554,779)
C-3.11		Vehicle Lease Cost	457,334	457,334	0
C-3.12	904	Uncollectible Expense Adjustment	(7,641,615)	0	(7,641,615)
C-3.14		Advertising Expense Adjustment	(733,245)	(733,245)	0
C-3.15	583	Distribution A/C 583 Adjustment	743,892	743,892	0
C-3.16		Interest Expense on Customers' Deposits	251,476	251,476	(0)
C-3.17		Rate Case Expense Adjustment	149,000	447,000	(298,000)
		Total Other Operating Expense	(1,989,971)	11,292,112	(13,282,084)
		Total Operating Expense Adjustments	\$37,098,241	\$50,380,324	(\$13,282,084)

The Cleveland Electric Illuminating Company

Case No. 07-551-EL-AIR

Summary of Jurisdictional Adjustments to Operating Income
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Work Paper Reference No(s): Schedules C-3.1 - C-3.18

Schedule C-3
Page 2 of 2

Schedule Reference	Account Numbers	Title of Adjustment	Staff	Applicant	Incremental
		<u>Depreciation/Amortization Expense Adjustments</u>			
C-3.4	403	Depreciation Expense Annualization	(\$2,293,616)	\$3,078,818	(\$5,372,433)
C-3.5	407	Adjustment for Amortization of Regulatory Assets	76,855,966	92,367,859	(15,511,893)
C-3.13	407	Amortization Associated with Deferred Tax Balance True-up	2,811,059	3,152,579	(341,520)
		Total Depreciation/Amortization Expense Adjustments	77,373,409	98,599,256	(21,225,846)
C-3.10	408	Taxes Other Than Income Taxes Adjustments	23,154,872	7,404,963	15,749,909
		<u>Income Taxes Adjustments</u>			
C-3.8	409 & 410	Federal, State, and Local Income Tax Adjustment	(48,249,476)	(57,957,040)	9,707,564
		TOTAL EXPENSE ADJUSTMENTS	89,377,046	98,427,503	(9,050,457)
		NET OPERATING INCOME ADJUSTMENT	(597,261,065)	(\$100,413,072)	\$3,152,007

The Cleveland Electric Illuminating Company

Case No. 07-551-EL-AIR

Revenue Adjustment

For the Twelve Months Ended February 29, 2008

Schedule C-3.1
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules E-4, C-2, & Applicant's Schedule WPE-4

Purpose and Description	Total Adjustment	Allocation Factor	Jurisdictional Amount
To adjust revenues			
Reconciliation between E-4 and C-2 for rate schedule revenue			
Schedule E-4 Total Current Revenues	\$441,609,827		
Less: Schedule E-4 Other Misc. Current Revenues	<u>20,950,586</u>		
Schedule E-4 Distribution Revenues	420,659,241		
Add: Employee Discounts in Residential Revenues	<u>527,915</u>		
Adjusted Schedule E-4 Distribution Revenues	421,187,156		
Schedule C-2 Unadjusted Jurisdictional Distribution Revenues	<u>421,856,480</u>		
Difference	(\$669,324)	100.000000%	<u>(\$669,324)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustment for Labor Expense Annualization
For the Twelve Months Ended February 29, 2008

Schedule C-3.2
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedules WPC-3.2a & WPC-3.2b

Purpose and Description	Total Adjustment	Allocation Factor*	Jurisdictional Amount
To adjust test year labor expenses to reflect annualized staffing levels and wages as of the end of the test year.			
Labor Expense Adjustment	\$2,160,321	100.000000%	\$2,160,321

* Amounts in "Total Adjustment" column have already been jurisdictionalized. Please See Staff's Schedule WPC-3.2a

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Miscellaneous Operation and Maintenance Expense Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.3
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): See Footnotes

Purpose and Description	Total Company	Allocation Factor	Jurisdictional Amount
1 Sporting Events Expense - Account 923 (b)	(\$275,739)	94.398% (a)	(\$260,291)
2 Outside Services Employed - Account 923 (c)	(799,104)	94.398% (a)	(754,335)
3 General Advertising Expense - Account 930.1 (c)	(285)	100.000% (a)	(285)
4 Total	<u>(\$1,075,128)</u>		<u>(\$1,014,911)</u>

- (a) Staff's Schedule B-7
- (b) Staff's Data Request 89
- (c) Applicant's Workpaper WFC-3.14

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Depreciation Expense Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.4
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedule B-3.2 & C-2

Purpose and Description	Total Adjustment	Allocation Factor	Jurisdictional Amount
To adjust test year depreciation expense to reflect annualized amounts based on the proposed depreciation accrual rates in this case and balances as of February 29, 2008			
1 Adjusted Depreciation Expense	\$59,955,365	100.000000%	\$59,955,365
2 Test Year Depreciation Expense			<u>62,248,981</u>
3 Adjustment			<u>(\$2,293,616)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustment for Amortization of Regulatory Assets
For the Twelve Months Ended February 29, 2008

Schedule C-3.5
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule C-2.1 and Staff's Schedules WPC-3.5a & b

Purpose and Description	Eliminate Test Year Activity	Annual Amortization	Total C-3 Adjustment	Allocation Factor	Adj. Jurisdictional Amount
Q & M Adjustment (Acct. 555)					
Fuel Deferral	\$39,088,212		\$39,088,212	100.000000%	\$39,088,212
Total O&M Adjustment					\$39,088,212
Amortization Expense Adjustment (Acct. 407)					
Fuel Deferral	4,141,029		4,141,029	100.000000%	4,141,029
Distribution Deferral	64,639,717	2,766,388	67,406,105	100.000000%	67,406,105
Transition Tax Deferral	1,311,881	1,696,005	3,007,886	100.000000%	3,007,886
Muni Tax Rider	1,473,487		1,473,487	100.000000%	1,473,487
Ohio Line Extension	2,433,622	751,358	3,184,980	100.000000%	3,184,980
DSM Deferral	80,846	5,672.33	86,518	100.000000%	86,518
FAS 109 Amortization	(2,444,039)		(2,444,039)	100.000000%	(2,444,039)
Total Amortization Expense Adjustment	71,636,543	5,219,423	76,855,966		\$76,855,966

To eliminate the test year impact of the regulatory asset deferrals and recognize the annual amortization of those regulatory assets:

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjustment for Pension and OPEB Expense
For the Twelve Months Ended February 29, 2008

Schedule C-3.6
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedule WPC-3.6

Purpose and Description	Total Adjustment	Allocation Factor*	Jurisdictional Amount
To adjust test year pension expense to reflect the estimated service cost during the test year.			
Pension Expense Adjustment (WPC-3.6, Row 11, Column E)	\$4,527,127	100.000000%	\$4,527,127
To adjust test year OPEB expense to reflect the estimated service cost during the test period.			
OPEB Expense Adjustment (WPC-3.6, Row 22, Column E)	1,695,912	100.000000%	1,695,912
Total Pension and OPEB Adjustment	<u>\$6,223,039</u>		<u>\$6,223,039</u>

* Amounts in "Total Adjustment" column have already been jurisdictionalized. Please see Staff's Schedule WPC-3.6

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Social and Service Club Dues Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.7
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedule WPC-3.7

Purpose and Description	Total Company Adjustment	Allocation Factor	Jurisdictional Amount
To remove Social and Service Club dues from O&M expense			
O&M Expense Adjustment	(\$31,949)	95.41144%	<u>(\$30,483)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Federal, State & Local Income Tax Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.8
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedule C-4

Purpose and Description	Jurisdictional Amount
To reflect Federal, State and Local income taxes on adjusted jurisdictional net income before income tax.	
Deferred Income Taxes	
Federal	(\$35,558,251)
State - OH	
State - PA	(552,332)
Municipal (Local)	(1,179,420)
	(37,290,004)
Current Income Taxes	
Federal	(9,335,824)
State - OH	(1,117,268)
State - PA	(177,479)
Municipal (Local)	(328,901)
	(10,959,473)
Total Adjustment	(\$48,249,476)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
PUCO & OCC Expense Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.9
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Data Request 49 and Staff's Schedule B-7

Purpose and Description	Total Company	Allocation Factor	Jurisdictional Amount
To reclassify test year PUCO and OCC assessments from operation and maintenance expense to taxes other than income			
Test Year Maintenance Assessments			
1 PUCO	(\$2,092,132)	100.0000%	(\$2,092,132)
2 OCC	(473,406)	97.7272%	(462,647)
3 Total	(\$2,565,538)		(\$2,554,779)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Taxes Other Than Income Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.10

Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedules C-3.23a-h

Line No.	Description	Supporting Schedule	Jurisdictional Amount
1	Property Taxes	C-3.10a	\$87,672,940
2	Commercial Activity Tax	C-3.10b	679,710
3	KWH Tax	C-3.10c	67,688,905
4	FICA Taxes	C-3.10d	3,943,341
5	Federal Unemployment Taxes	C-3.10e	46,172
6	State Unemployment Taxes	C-3.10f	44,522
7	PUCO and OCC Assessments	C-3.10g	2,464,741
8	Miscellaneous Taxes	C-3.10h	<u>3,029,574</u>
9	Total		165,569,905
10	Test Year Taxes Other Than Income		<u>142,415,033</u>
11	Adjustment (9 - 10)		<u>\$23,154,872</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of Property Taxes
For the Twelve Months Ended February 29, 2008

Schedule C-3.10a
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedules C-3.22a1&2

Line No.	Description	Jurisdictional Amount
1	Personal Property Taxes	86,114,843
2	Real Property Taxes	<u>1,558,097</u>
3	Total Property Taxes (1 + 2)	<u>\$87,672,940</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of Personal Property Taxes
For the Twelve Months Ended February 29, 2008

Schedule C-3.10a1

Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): See Footnotes

Line No.	Description	Jurisdictional Amount		
		Transmission Plant	Distribution Plant	General Plant
1	Jurisdictional Plant in Service (a)	\$328,126,339	\$1,497,524,976	\$71,707,059
2	Jurisdictional Real Property (b)	17,696,033	28,387,290	38,626,545
3	Jurisdictional Personal Property (1 - 2)	310,430,306	1,469,137,686	33,080,514
	<u>Exclusions and Exemptions</u>			
4	Capitalized Asset Retirement Costs (a)	0	0	0
5	Exempt Facilities (c)	0	0	0
6	Licensed Motor Vehicles (c)	0	0	3,805,467
7	Capitalized Interest (c)	3,267,952	5,578,710	41
8	Total Exclusions and Exemptions (4 thru 7)	3,267,952	5,578,710	3,805,507
9	Net Cost of Taxable Personal Property (3 - 8)	307,162,354	1,463,558,976	29,275,007
10	True Value Percentage (c)	50.82%	58.48%	26.08%
11	True Value of Taxable Personal Property (9 x 10)	156,094,828	855,879,637	7,633,955
12	Assessment Percentage (d)	85.00%	85.00%	24.00%
13	Assessment Value (11 x 12)	132,680,604	727,497,691	1,832,149
14	Personal Property Tax Rate (e)	9.99%	9.99%	9.99%
15	Personal Property Tax (13 x 14)	\$13,254,792	\$72,677,019	183,032
16	Total Personal Property Tax (15)			<u>\$86,114,843</u>

- (a) Staff's Schedule B-2.1
(b) Staff's Schedule B-2.1, Accounts 350, 352, 360, 362, 389, 390 and 390.3
(c) Derived from Applicant's Workpapers WPC-3.3c2 thru WPC-3.3f
(d) Applicant's Workpaper WPC-3.3h
(e) Applicant's Workpaper WPC-3.3g

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of Real Property Taxes
For the Twelve Months Ended February 29, 2008

Schedule C-3.10a2

Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): See Footnotes

Line No.	Description	Jurisdictional Amount		
		Transmission Plant	Distribution Plant	General Plant
1	Jurisdictional Real Property (a)	\$17,696,033	\$28,387,290	\$38,626,545
2	True Value Percentage (b)	72.69%	72.69%	72.69%
3	True Value of Taxable Real Property (1 x 2)	12,862,645	20,633,756	28,076,322
4	Assessment Percentage (b)	35.00%	35.00%	35.00%
5	Assessment Value (3 x 4)	4,501,926	7,221,815	9,826,713
6	Real Property Tax Rate (c)	7.23%	7.23%	7.23%
7	Real Property Tax (5 x 6)	325,489	522,137	710,471
8	Total Real Property Tax (7)			<u>\$1,558,097</u>
(a) Staff's Schedule C-3.10a1				
(b) Calculated as follows:				
	(1) Real Property Assessed Value (c)	\$38,609,359		
	(2) Assessment Percentage (d)	35.00%		
	(3) Real Property True Value (1 / 2)	<u>\$110,312,454</u>		
	(4) Real Property Capitalized Cost (e)	<u>\$151,764,448</u>		
	(5) Real Property True Value Percentage (3 / 4)	<u>72.69%</u>		
(c) Applicant's Supplemental Information C-43				
(d) Statutory Assessment for Real Property				
(e) Applicant's Supplemental Information C-4				

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of Commercial Activity Tax
For the Twelve Months Ended February 29, 2008

Schedule C-3.10b

Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated

Reference No(s): Staff's Schedule C-2 and Applicant's Schedule C-3.9

Line No.	Description	Jurisdictional Amount
1	Jurisdictional Operating Revenues	\$435,711,377
2	Commercial Activities Tax Rate	<u>0.1560%</u>
3	Commercial Activities Tax (1 x 2)	<u>\$679,710</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of KWH Tax
For the Twelve Months Ended February 29, 2008

Schedule C-3.10c

Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule C-3.10

Line No.	Description	Jurisdictional Amount
1	Jurisdictional Kwh Tax Rider Revenues	<u>\$67,688,905</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of FICA Tax
For the Twelve Months Ended February 29, 2008

Schedule C-3.10d
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated

Reference No(s): Staff's Schedule C-3.2 and Staff's Data Request 69

Line No.	Description	Jurisdictional Amount
1	Annualized O&M Labor Expense (Staff's Schedule C-3.2)	\$65,047,960
2	Percentage of OASDI Taxable Wages (Staff's Data Request 69)	96.38%
3	OASDI Taxable Wages (1 x 2)	\$62,693,224
4	Effective Tax Rate	6.20%
5	Old Age, Survivors and Disability Insurance (OASDI) Portion of FICA Tax (3 x 4)	\$3,886,980
6	Medicare Effective Tax Rate	1.45%
7	Medicare Expense Portion of FICA Tax (5 x 6)	\$56,361
8	FICA Tax Expense (5 + 7)	\$3,943,341

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of Federal Unemployment Taxes
For the Twelve Months Ended February 29, 2008

Schedule C-3.10e
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): See Footnotes

Line No.	Description	Jurisdictional Amount
1	Number of Employees (a)	992
2	Federal Unemployment Tax Base (b)	<u>\$7,000</u>
3	Total Taxable Wages (1 x 2)	\$6,944,000
4	Federal Unemployment Tax Rate (c)	<u>0.80%</u>
5	Federal Unemployment Tax (3 x 4)	\$55,552
6	O&M Percentage (d)	<u>\$1.20%</u>
7	Federal Unemployment Tax (5 x 6)	\$28,443
8	Jurisdictional Allocation Factor (e)	<u>95.15%</u>
9	Jurisdictional Federal Unemployment Tax (7 x 8)	\$27,064
10	Federal Unemployment Tax Allocated From FB Service Co. (f)	<u>19,108</u>
11	Total Company Federal Unemployment Tax (9 + 10)	<u>\$46,172</u>

- (a) Derived From Applicant's Response to Staff's Data Request 51. Six-Month Average Ended August 2007
- (b) 2008 FUTA Earnings Base
- (c) Staff's Data Request 68
- (d) Applicant's Workpaper WPC-3.2o
- (e) Applicant's Workpaper WPC-3.2q
- (f) Staff's Schedule WPC-3.10e

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of State Unemployment Taxes
For the Twelve Months Ended February 29, 2008

Schedule C-3.10f

Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): See Footnotes

Line No.	Description	Jurisdictional Amount
1	Number of Employees (a)	992
2	State Unemployment Tax Base (b)	<u>\$9,000</u>
3	Total Taxable Wages (1 x 2)	\$8,928,000
4	State Unemployment Tax Rate (c)	<u>0.60%</u>
5	State Unemployment Tax (3 x 4)	\$53,568
6	O&M Percentage (d)	<u>51.20%</u>
7	State Unemployment Tax Expense (5 x 6)	\$27,427
8	Jurisdictional Allocation Factor (e)	<u>95.15%</u>
9	Jurisdictional State Unemployment Tax Expense (7 x 8)	\$26,097
10	State Unemployment Tax Expense Allocated From FE Service Co. (f)	<u>18,425</u>
11	Total Company State Unemployment Tax Expense (9 + 10)	<u>\$44,522</u>

- (a) Derived From Applicant's Response to Staff's Data Request 51. Six-Month Average Ended August 2007
- (b) 2008 FUTA Earnings Base
- (c) Staff's Data Request 68
- (d) Applicant's Workpaper C-3.2m
- (e) Applicant's Workpaper C3.2x
- (f) Staff's Schedule WPC-3.10f

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of PUCO & OCC Assessments
For the Twelve Months Ended February 29, 2008

Schedule C-3.10g
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Data Request 49

Line No.	Description		Jurisdictional Amount
1	PUCO Maintenance Assessment	\$2,027,023	
2	Jurisdictional Allocation Factor	<u>100.0000%</u>	
3	Jurisdictional PUCO Assessment (1 x 2)		2,027,023
4	OCC Funding Assessment	447,898	
5	Jurisdictional Allocation Factor	<u>97.7272%</u>	
6	Jurisdictional OCC Assessment (4 x 5)		<u>437,718</u>
7	Total PUCO & OCC Assessments (3 + 6)		<u>\$2,464,741</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Calculation of Miscellaneous Taxes
For the Twelve Months Ended February 29, 2008

Schedule C-3.10h
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule WPB-7.1f

Line No.	Description	Jurisdictional Amount
1	Pennsylvania Capital Stock Tax	\$2,984,018
2	Ohio Sales and Use Tax	41,624
3	Motor Fuel Tax	8
4	Federal Highway Use Tax	3,921
5	Federal Excise Tax	<u>3</u>
6	Total Miscellaneous Taxes (1 thru 5)	<u>\$3,029,574</u>

The Cleveland Electric Illuminating Company

Case No. 07-551-EL-AIR

Vehicle Lease Costs

For the Twelve Months Ended February 29, 2008

Schedule C-3.11
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules WPC-3.11a-d & Staff's Schedule B-7

Purpose and Description	Total Company O&M Lease Costs	Allocation Factor	Jurisdictional Amount
To adjust test year vehicle lease costs to reflect an annualized increase.	\$480,625	95.15395%	\$457,334

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Uncollectible Expense Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.12
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): See Footnotes

Purpose and Description		Jurisdictional Amount
1	Adjusted Total Operating Revenue (a)	\$435,711,377
2	Uncollectable Rate (b)	0.6047%
3	Adjusted Uncollectable Expense (1 x 2)	\$2,634,816
4	Test Year Uncollectable Expense (c)	10,276,431
5	Adjustment (3 - 4)	(\$7,641,615)

- (a) Staff's Schedule C-2
- (b) Staff's Schedule WPC-3.12a
- (c) Applicant's Schedule C-2.1

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Amortization Associated with Deferred Tax Balance True-up
For the Twelve Months Ended February 29, 2008

Schedule C-3.13
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule C-3.13 and Staff's Schedule B-7

Purpose and Description	Total Adjustment	Allocation Factor	Jurisdictional Amount
To adjust amortization of Account 407 to reflect current estimate of FAS 109			
Adjustment to FERC Account 407 - Regulatory Debits/Credits	\$3,152,579	89.16698%	\$2,811,059

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Advertising Expense Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.14
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule WPC-3.14

Purpose and Description	Total Company Adjustment	Allocation Factor	Jurisdictional Amount
To remove expenses from the test-year related to promotional advertising. Informational and conservational advertising remains in test-year income.			
	O&M Expense Adjustment (\$733,245)	100.000000%	<u>(\$733,245)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR

Misc. Service Revenue & Other Electric Revenue (A/C's 451 & 456) & Distribution O&M Expense Adjustments (A/C 583)
For the Twelve Months Ended February 29, 2008

Schedule C-3.15
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s).: Applicant's Schedule WPC-3.15a-c and Staff's Schedule WPC-3.15

Purpose and Description	Total Adjustment	Allocation Factor	Jurisdictional Amount
To correct by removing the erroneous posting of test year revenues to the FERC 583 account and apply the Operating Revenue portion of those revenues to the proper FERC 451 account:			
Distribution Operating & Maintenance Expenses: FERC 583 - Overhead Line Expenses	\$743,892	100.000000%	<u>\$743,892</u>
Operating Revenues: FERC 451 & 456 - Misc. Service Revenue and Other Electric Revenue	(\$7,206,037)	100.000000%	<u>(\$7,206,037)</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Interest on Customers' Deposits
For the Twelve Months Ended February 29, 2008

Schedule C-3.16
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedule WPB-5.1a

Purpose and Description	Total Adjustment	Allocation Factor	Jurisdictional Amount
To be consistent with the treatment of customers' deposits as an offset to the Company's working capital allowances, the interest expense associated with these deposits is added to operating expenses.			
Interest Expense on Customers' Deposits (13-month average)	\$251,476	100.000000%	<u>\$251,476</u>

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Rate Case Expense Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.17
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules C-8 & WPC-8, and Staff's Text

Purpose and Description	Total Adjustment	Allocation Factor	Jurisdictional Amount
To adjust test year expense to reflect estimates of incremental costs associated with filing Case No. 07-551-EL-AIR. (Not in budget)			
1 Adjustment to O&M Expense	\$447,000		
2 Amortization Period - Years	<u>3</u>		
3 Net Adjustment to O&M Expense (1 / 2)	\$149,000	100.000000%	\$149,000

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Forfeited Discounts Revenue Adjustment
For the Twelve Months Ended February 29, 2008

Schedule C-3.18
Page 1 of 1

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Staff's Schedule C-2 and Applicant's Schedule C-2.1

Purpose and Description	Total Company	Allocation Factor	Jurisdictional Amount
To adjust annual test year forfeited discounts revenues to reflect changes in base revenues			
1 Adjusted Base Revenue (Staff's Schedule C-2)	\$421,187,156		
2 Forfeited Discount Rate (Applicant's Schedule C-2.1, \$5,371,213 / \$421,856,480)	1.2732%		
3 Adjusted Forfeited Discounts (1 x 2)	\$5,362,555		
4 Test Year Forfeited Discounts (Applicant's Schedule C-2.1)	5,371,213		
5 Adjustment (3 - 4)	(\$8,658)	100.00000%	(\$8,658)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjusted Jurisdictional Income Taxes
For the Twelve Months Ended February 29, 2018

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules C-3.21, C-4.1, WPC-3.8d, WPC-4.1f & WPC-4a-g, and Staff's Schedule C-1 & C-3

Schedule C-4
Page 1 of 5

Line No.	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule C-3 Adjustments (2)	Adjusted (3)	Proforma Adjustments (4)	Proforma (5)
1	Operating Income Before Income Tax	\$200,605,369	(\$145,510,941)	\$55,094,828	\$107,772,811	\$162,867,639
2	Reconciling Items:					
3	Interest Expense (Staff's Sch. B-1, Rate Base x Weighted Cost of Debt)	(36,872,771)	14,002,910	(36,809,861)		(36,869,561)
4	Tax Accelerated Depreciation	(65,525,596)	(10,167,924)	(75,793,520)		(75,793,520)
5	Book Depreciation	65,273,758	(7,295,812)	62,980,146		62,980,146
6	Excess of Tax Over Book Depr.	(351,838)	(12,461,536)	(12,813,374)		(12,813,374)
7	Other Reconciling Items (Specify & List):					
8	Above Market Leases	0		0		0
9	Accretion Expense	0		0		0
10	Accrued Vacation	1,122,980		1,122,980		1,122,980
11	AFUDC - Deductions	0		0		0
12	All Other Amortizations A/C 407.3 (Incl FAS 109)	172,239		172,239		172,239
13	Bad Debts - Provision	29,569		29,569		29,569
14	BM Lease Payments	0		0		0
15	Contribution in Aid & Customer Advances	10,362,456		10,362,456		10,362,456
16	Cost of Removal	(8,257,582)		(8,257,582)		(8,257,582)
17	CTC Regulatory Asset Amortization	0		0		0
18	Decommissioning Trust Income	0		0		0
19	Deferred Compensation	872,176		872,176		872,176
20	Deferred Gain on Sale	0		0		0
21	Demand Side Management	(80,641)	86,313	5,672		5,672
22	DOE & Decontamination	0		0		0
23	Dumpsite Cleanup	0		0		0
24	EDCP Interest	0		0		0
25	Energy Management Program	(104,882)		(104,882)		(104,882)
26	ESOP Compensation Expense	(2,519,410)		(2,519,410)		(2,519,410)
27	Expense Accruals - FAS 112	830,621		830,621		830,621
28	FAS 106 Post Retirement Benefits	1,053,262		1,053,262		1,053,262
29	FASB 109 Adjustment (Netted)	1,357,352	1,253,707	2,811,059		2,811,059
30	Gain/Loss - Early Redemption of Debt	197,906		197,906		197,906
31	Incentive Compensation	1,270,282		1,270,282		1,270,282
32	Injuries & Damages	(186,047)		(186,047)		(186,047)
33	Like Kind Exchange - Scrap Sale	(190,092)		(190,092)		(190,092)
34	Line Protection - Deferred revenue	(57,219)		(57,219)		(57,219)
35	MACRS/ACRS Refined Property	(2,763,848)		(2,763,848)		(2,763,848)
36	MISO Transm Deferral	0		0		0
37	Municipal Distribution Tax Deferral	(1,473,485)		(1,473,485)		(1,473,485)
38	Ohio Line Exit Deferred Cap Costs	(802,162)	1,553,520	751,358		751,358
39	Pensions	1,918,177		1,918,177		1,918,177
40	Performance Shares	14,959		14,959		14,959
41	Post Ret Ben Capitalized	(378,714)		(378,714)		(378,714)
42	Post Ret. Deferral	1,488,084		1,488,084		1,488,084
43	Post Ret Beneful Payment	(1,211,145)		(1,211,145)		(1,211,145)
44	Property Tax Variance	874,838		874,838		874,838
45	PUCO Deferral - 07 Case	(33,214)	(265,786)	(298,000)		(298,000)
46	RCP - Fuel Deferral	(13,229,240)	48,823,944	0		0
47	RCP - OM Deferral	(64,619,717)	72,310,603	2,766,388		2,766,388
48	Restricted Stock Units	68,992		68,992		68,992
49	S/L Expenses - Bruce Mansfield	0		0		0
50	S/L Asset Bond Acquisition	0		0		0
51	Shopping Credit Incentive Deferral	0		0		0
52	Stock Option Grants	3,219		3,219		3,219
53	Stock Option Exercise Deduction	(269,031)		(269,031)		(269,031)
54	Tax Interest Capitalized	2,020,329		2,020,329		2,020,329
55	Tax Law Changes SB 3 Deferral	(891,061)	2,705,177	1,696,005		1,696,005
56	Meal Allowance (Permanent)	317,425		317,425		317,425
57	Medicare Pres. Drug Subsidy (Permanent)	(303,497)		(303,497)		(303,497)
58	Manufacturing Deduction (Permanent)	0		0		0
59	Liquelative Activities (Permanent)	114,626		114,626		114,626
60	Total Other Reconciling Items	(103,160,398)	126,467,478	12,749,667	0	12,749,667
61	Total Reconciling Items	(154,325,107)	128,098,852	(36,973,568)	0	(36,973,568)
62	Taxable Income	\$46,280,263	(\$17,501,689)	\$18,161,260	\$107,772,811	\$125,934,071

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjusted Jurisdictional Income Taxes
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules C-3.21, C-4.1, WPC-3.5d, WPC-4.1f & WPC-4g

Schedule C-4
Page 2 of 5

Line No	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule C-3 Adjustments (2)	Adjusted (3)	Proforma Adjustments (4)	Proforma (5)
1	Operating Income Before F.I.T. and State & Local Income Tax	\$200,605,369	(\$145,510,541)	\$55,094,828	\$107,772,811	\$162,867,639
2	Reconciling Items:	(154,325,107)	128,006,852	(36,933,563)	0	(36,933,563)
3	Federal Taxable Income before State & Local Income Tax to page 3	46,280,263	(17,501,689)	18,161,260	107,772,811	125,934,071
4	Ohio State Taxable Income	46,280,263	(17,501,689)	18,161,260	107,772,811	125,934,071
5	Total Ohio Current Income Tax Expense	3.04777% (\$1,410,516)	\$2,117,268	1.61469% (\$293,248)	(\$1,710,197)	(\$2,033,445)
6	Municipal Taxable Income	46,280,263	(\$28,119,002)	\$18,161,260	\$107,772,811	\$125,934,071
7	Current Municipal Income Tax	1.141% (\$528,058)	\$328,901	1.09660% (\$199,156)	(\$1,181,837)	(\$1,780,993)
8	PA Taxable Income	46,280,263	(\$28,119,002)	\$18,161,260	\$107,772,811	\$125,934,071
9	Current PA State Income Tax	0.533% (\$245,674)	\$177,479	0.38100% (\$69,184)	(\$410,614)	(\$479,809)
10	Total State and Local Income Tax Expense	(\$2,185,248)	\$1,623,649	(\$561,549)	(\$3,322,648)	(\$3,894,247)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjusted Jurisdictional Income Taxes
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules C-3.21, C-4.1, WPC-3.8d, WPC-4.1f & WPC-4g

Schedule C-4
Page 3 of 5

Line No.	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule C-3 Adjustments (2)	Adjusted (3)	Proforma Adjustments (4)	Proforma (5)
1	Federal Taxable Income before State & Local Income Tax deductions	\$46,280,263	(\$17,561,689)	\$18,161,260	\$107,772,811	\$125,934,071
2	State and Local Income Tax Deductible	(2,185,248)	1,623,649	(561,599)	(3,332,648)	(3,894,247)
3	Federal Taxable Income	44,095,015	(15,878,041)	17,599,661	104,440,163	122,039,825
4	Federal Income Tax Liability @ 35%	(15,433,255)	9,273,374	(6,159,881)	(36,554,058)	(42,713,930)
5	Federal ITC	800,276	62,950	862,726		862,726
6	Federal Income Taxes - Current	(\$14,632,979)	\$9,335,824	(\$5,297,155)	(\$36,554,058)	(\$41,851,213)
7	Deferred Income Taxes:					
8	Tax Accelerated Depreciation	34.4141% (\$22,594,458)	(\$5,536,793)	34.4637% (\$26,121,251)		(\$26,121,251)
9	Book Depreciation	34.4141% 22,462,376	(758,087)	34.4637% 21,703,289		21,703,289
10	Excess of Tax Over Book Depr.	(121,082)	(4,294,811)	(4,415,893)		(4,415,893)
11	Other Deferred Income Tax	34.4141%		34.4637%		
12	Above Market Leases	0	0	0		0
13	Accretion Expense	0	0	0		0
14	Accrued Vacation	386,464	537	387,021		387,021
15	AFUDC - Deductions	0	0	0		0
16	All Other Amortizations A/C 407.3 (Incl FAS 105)	59,273	85	59,360		59,360
17	Bad Debts - Provision	10,176	15	10,191		10,191
18	BM Lease Payment	0	0	0		0
19	Contribution in Aid & Customer Advances	3,566,146	5,140	3,571,286		3,571,286
20	Cost of Removal	(2,841,773)	(4,096)	(2,845,868)		(2,845,868)
21	CTC Regulatory Asset Amortization	0	0	0		0
22	Decommissioning Trust Income	0	0	0		0
23	Deferred Compensation	300,584	433	300,584		300,584
24	Deferred Gain on Sale	0	0	0		0
25	Demand Side Management	(27,752)	29,707	1,955		1,955
26	DOE & Decontamination	0	0	0		0
27	Dumpsite Cleanup	0	0	0		0
28	EDCP Interest	0	0	0		0
29	Energy Management Program	(36,046)	(52)	(36,146)		(36,146)
30	ESOP Compensation Expense	(667,032)	(1,350)	(668,382)		(668,382)
31	Expense Accruals - FAS 112	285,851	412	286,263		286,263
32	FAS 106 Post Retirement Benefits	362,471	522	362,993		362,993
33	FASB 106 Adjustment (Netted)	535,949	432,846	968,795		968,795
34	Gain/Loss - Early Redemption of Debt	68,108	98	68,206		68,206
35	Incentive Compensation	437,156	630	437,786		437,786
36	Injuries & Damages	(64,026)	(92)	(64,119)		(64,119)
37	Like Kind Exchange - Scrap Sale	(65,418)	(94)	(65,513)		(65,513)
38	Line Protection - Deferred revenue	(19,491)	(28)	(19,720)		(19,720)
39	MACRS/ACRS Retired Property	(951,153)	(1,371)	(952,524)		(952,524)
40	MISC Transm Deferral	0	0	0		0
41	Municipal Distribution Tax Deferral	(507,818)	(731)	(507,818)		(507,818)
42	Ohio Line Est Deferred Cap Costs	(276,057)	535,002	258,946		258,946
43	Pensions	660,124	931	661,075		661,075
44	Performance Shares	5,158	7	5,155		5,155
45	Post Ret Ben Capitalized	(130,331)	(188)	(130,519)		(130,519)
46	Post Ret Deferral	512,111	738	512,849		512,849
47	Post Ret Benefit Payment	(418,805)	(601)	(417,405)		(417,405)
48	Property Tax Vacation	301,068	434	301,501		301,501
49	PUCO Deferral - 07 Case	(11,086)	(91,616)	(102,702)		(102,702)
50	RCP - Fuel Deferral	(14,876,954)	14,876,954	0		0
51	RCP - OM Deferral	(22,245,177)	23,196,575	953,400		953,400
52	Restricted Stock Units	23,743	34	23,777		23,777
53	SIL Expenses - Bruce Mansfield	0	0	0		0
54	SIL Amort Bond Acquisition	0	0	0		0
55	Shopping Credit Incentive Deferral	0	0	0		0
56	Stock Option Grants	1,109	2	1,109		1,109
57	Stock Option Exercise Deduction	(92,585)	(133)	(92,718)		(92,718)
58	Tax Interest Capitalized	695,278	1,002	696,280		696,280
59	Tax Law Changes SR 3 Deferral	(306,651)	891,157	584,506		584,506
60	Total Federal Income Tax Deferred	(35,646,431)	35,580,171	(6,260)	0	(6,260)
61	Federal ITC	(275,408)	(2,919)	(297,327)	0	(297,327)
62	Total Federal Income Tax	(\$36,554,818)	\$44,894,075	(\$5,560,742)	(\$36,554,058)	(\$42,714,810)

The Cleveland Electric Illuminating Company
Case No. 07-551-EL-AIR
Adjusted Jurisdictional Income Taxes
For the Twelve Months Ended February 29, 2008

Data: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules C-3.21, C-4.1, WPC-3.8d, WPC-4.1f & WPC-4a-g

Schedule C-4
Page 4 of 5

Line No	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule C-3 Adjustments (2)	Adjusted (3)	Proforma Adjustments (4)	Proforma (5)
Municipal Deferred Taxes						
1	Tax Accelerated Depreciation	1.141% (\$748,788)	(\$82,364)	1.0966% (\$831,152)		(\$831,152)
2	Book Depreciation	1.141% 744,774	(\$4,133)	1.0966% 690,640		690,640
3	Excess of Tax Over Book Depr.	(4,014)	(136,497)	(140,511)		(140,511)
4	Other Municipal Deferred Tax	1.141%		1.0966%		
5	Above Market Leases	0	0	0		0
6	Accretion Expense	0	0	0		0
7	Accrued Vacation	12,313	(499)	12,315		12,315
8	AFUDC - Deductions	0	0	0		0
9	All Other Amortizations A/C 407.3 (Incl FAS 109)	1,889	(76)	1,889		1,889
10	Bad Debts - Provision	337	(11)	324		324
11	BM Lease Payment	0	0	0		0
12	Contribution in Aid & Customer Advances	113,635	(4,611)	113,635		113,635
13	Cost of Removal	(94,214)	3,566	(90,553)		(90,553)
14	CTC Regulatory Asset Amortization	0	0	0		0
15	Decommissioning Trust Income	0	0	0		0
16	Deferred Compensation	9,552	(387)	9,564		9,564
17	Deferred Gain on Sale	0	0	0		0
18	Demand Side Management	(930)	982	62		62
19	DDE & Decontamination	0	0	0		0
20	Dumpsite Cleanup	0	0	0		0
21	EDCP Interest	0	0	0		0
22	Energy Management Program	(1,197)	47	(1,150)		(1,150)
23	ESOP Compensation Expense	(28,746)	1,119	(27,629)		(27,629)
24	Expense Accruals - FAS 112	9,477	(369)	9,109		9,109
25	FAS 106 Post Retirement Benefits	12,018	(468)	11,550		11,550
26	FASB 109 Adjustment (Netted)	17,769	13,057	30,826		30,826
27	Gain/Loss - Early Redemption of Debt	2,258	(84)	2,170		2,170
28	Incentive Compensation	14,494	(564)	13,930		13,930
29	Injuries & Damages	(2,123)	83	(2,040)		(2,040)
30	Like Kind Exchange - Scrap Sale	(2,169)	84	(2,085)		(2,085)
31	Line Protection - Deferred revenue	(653)	25	(627)		(627)
32	MACRS/ACRS Retired Property	(31,536)	1,227	(30,308)		(30,308)
33	MISC Transm Deferral	0	0	0		0
34	Municipal Distribution Tax Deferral	(16,812)	634	(16,158)		(16,158)
35	Ohio Line Ext Deferred Cap Costs	(9,153)	17,392	8,239		8,239
36	Pensions	21,886	(852)	21,035		21,035
37	Performance Shares	171	(7)	164		164
38	Post Ret Ben Capitalized	(4,321)	168	(4,153)		(4,153)
39	Post Ret Deferral	16,979	(661)	16,318		16,318
40	Post Ret Benefit Payment	(13,819)	538	(13,281)		(13,281)
41	Property tax Variance	9,982	(388)	9,593		9,593
42	PUCO Deferral - R7 Case	(368)	(2,909)	(3,268)		(3,268)
43	RCP - Fuel Deferral	(495,246)	495,246	0		0
44	RCP - OM Deferral	(737,539)	767,875	30,336		30,336
45	Restricted Stock Units	757	(31)	757		757
46	S/L Expenses - Bruce Mansfield	0	0	0		0
47	S/L Amort Bond Acquisition	0	0	0		0
48	Shopping Credit Incentive Deferral	0	0	0		0
49	Stock Option Grants	37	(1)	35		35
50	Stock Option Exercise Deduction	(3,070)	119	(2,950)		(2,950)
51	Tax Interest Capitalized	23,052	(897)	22,155		22,155
52	Tax Law Changes SB 3 Deferral	(18,167)	22,765	18,598		18,598
53	Total Municipal Deferred Taxes	(1,181,838)	1,179,750	(2,108)	0	(2,108)
54	Municipal ITC	(9,461)	(339)	(9,461)	0	(9,461)
55	TOTAL Municipal Current & Deferred Income Tax	(\$1,719,047)	\$1,508,322	(\$210,725)	(\$1,181,817)	(\$1,392,562)

The Cleveland Electric Illuminating Company
Case No. 07-551-BL-AIR
Adjusted Jurisdictional Income Taxes
For the Twelve Months Ended February 29, 2008

Date: 3 Months Actual & 9 Months Estimated
Reference No(s): Applicant's Schedules C-3.21, C-4.1, WPC-3.8d, WPC-4.1f & WPC-4a-g

Schedule C-4
Page 5 of 6

		At Current Rates			At Proposed Rates	
Line No	Description	Unadjusted (1)	Schedule C-3 Adjustments (2)	Adjusted (3)	Proforma Adjustments (4)	Proforma (5)
PA Deferred Tax						
1	Tax Accelerated Depreciation	0.533% (\$349,784)	\$61,011	0.3810% (\$288,773)		(\$288,773)
2	Book Depreciation	0.533% 347,909	(107,955)	0.3810% 239,954		239,954
3	Excess of Tax Over Book Depr.	(1,875) 0	(46,944)	(48,819)		(48,819)
4	Other PA Deferred Tax	0.533%		0.3810%		
5	Above Market Leases	0	0	0		0
6	Accretion Expense	0	0	0		0
7	Accrued Vacation	5,985	(1,707)	4,279		4,279
8	AFUDC - Deductions	0	0	0		0
9	All Other Amortizations A/C 407.3 (Incl FAS 109)	918	(362)	656		656
10	Bad Debts - Provision	158	(45)	113		113
11	BM Lease Payment	0	0	0		0
12	Contribution in Aid & Customer Advances	55,232	(15,751)	39,481		39,481
13	Cost of Removal	(44,911)	12,552	(31,461)		(31,461)
14	CTC Regulatory Asset Amortization	0	0	0		0
15	Decommissioning Trust Income	0	0	0		0
16	Deferred Compensation	4,649	(1,326)	3,323		3,323
17	Deferred Gain on Sale	0	0	0		0
18	Demand Side Management	(436)	451	22		22
19	DOE & Decantamination	0	0	0		0
20	Dumpsite Cleanup	0	0	0		0
21	EDCP Interest	0	0	0		0
22	Energy Management Program	(359)	159	(400)		(400)
23	ESOP Compensation Expense	(13,428)	3,830	(9,599)		(9,599)
24	Expense Accruals - FAS 112	4,427	(1,265)	3,165		3,165
25	FAS 106 Post Retirement Benefits	5,614	(1,601)	4,013		4,013
26	FASB 109 Adjustment (Netted)	8,301	2,409	10,710		10,710
27	Gains/Loss - Early Redemption of Debt	1,055	(301)	754		754
28	Incentive Compensation	6,771	(1,911)	4,840		4,840
29	Injuries & Damages	(992)	283	(709)		(709)
30	Like Kind Exchange - Scrap Sale	(1,117)	289	(724)		(724)
31	Line Protection - Deferred revenue	(305)	87	(218)		(218)
32	MACRS/ACRS Retired Property	(14,731)	4,201	(10,530)		(10,530)
33	MISC Transm Deferral	0	0	0		0
34	Municipal Distribution Tax Deferral	(7,854)	2,240	(5,614)		(5,614)
35	Ohio Line Ext Deferred Cap Costs	(4,276)	7,138	2,863		2,863
36	Pensions	10,224	(2,916)	7,308		7,308
37	Performance Shares	80	(23)	57		57
38	Post Ret Ben Capitalized	(3,019)	576	(1,443)		(1,443)
39	Post Ret. Deferral	7,931	(2,362)	5,670		5,670
40	Post Ret Benefit Payment	(6,455)	1,841	(4,614)		(4,614)
41	Property tax Variance	4,663	(1,330)	3,333		3,333
42	PUCO Deferral - 07 Case	(172)	(964)	(1,135)		(1,135)
43	RCP - Fuel Deferral	(230,412)	230,412	0		0
44	RCP - OM Deferral	(314,530)	353,070	10,540		10,540
45	Restricted Stock Units	368	(103)	263		263
46	S.L. Expenses - Bruce Mansfield	0	0	0		0
47	S/L Amort Bond Acquisition	0	0	0		0
48	Shopping Credit Incentive Deferral	0	0	0		0
49	Stock Option Grants	17	(5)	12		12
50	Stock Option Exercise Deduction	(1,434)	409	(1,025)		(1,025)
51	Tax Interest Capitalized	10,768	(3,073)	7,697		7,697
52	Tax Law Changes SB 3 Deferral	(4,749)	11,211	6,462		6,462
53	Total PA State Deferred	(552,086)	551,354	(733)	0	(733)
54	PA ITC	(4,265)	978	(3,287)	0	(3,287)
55	Total PA Current and Deferred Income Tax	(\$903,025)	\$729,812	(\$173,213)	(\$410,614)	(\$483,828)

Rate of Return Summary
 First Energy Corporation (Consolidated)
Capital Structure as of May 31, 2007

	Amount	% of Total	% Cost	Weighted Cost %
Long Term Debt	\$10,920,839,629	56.25%	6.22%	3.50%
Preferred Stock	0	0.00%	0.00%	0.00%
Common Equity	<u>8,493,079,313</u>	<u>43.75%</u>	10.06% -11.09%	<u>4.40% -4.85%</u>
Total Capital	\$19,413,918,942	100.00%		7.90% -8.35%

Equity Issuance Cost Adjustment
 First Energy Corporation (Consolidated)
May 31, 2007

(1) Retained Earnings ¹	\$3,134,658,315
(2) Total Common Equity ²	\$8,493,079,313
(3) Ratio of (1) to (2)	0.68833
(4) Generic Issuance Cost, f	3.50%
(5) External Equity Ratio, w [1.0 - (3)]	0.63092
(6) Net Adjustment Factor, $(w/(1 - f)) + (1 - w)$	1.02288
(7) Low End Equity Cost [9.84% x (6)]	10.06%
(8) High End Equity Cost [10.84% x (6)]	11.09%

Sources:

1 First Energy Corporation Consolidated Balance Sheet as of May 31, 2007

2 Applicant's Schedule D-1A

DCF Cost of Equity Estimate

Weekly Stock Prices (\$):

EE	MDU	QGE	DPL	CEG	CNP	WFC	PNW	DTE	PEG	EPL	XEL	ED	EXC	ETR	SO	ECN	STR	NFQ	ATG	PNY	WGL	ATQ
09/18/06	55.0500	22.6000	35.3000	26.9700	59.3000	13.8600	44.7300	40.3600	60.9500	44.4600	20.6700	46.0200	59.5300	77.0100	34.2700	41.2000	39.5350	34.2600	35.7300	24.9400	30.6000	27.9600
09/25/06	55.8600	22.3400	36.1100	27.1200	59.2000	14.3200	43.1400	41.5100	61.1900	42.0000	20.6300	46.2000	60.5400	78.2300	34.4600	41.8700	40.8850	34.3500	36.5000	25.3100	31.3400	28.5300
10/02/06	57.1200	22.9300	36.6000	27.3300	59.5600	14.3900	44.0600	41.9200	59.8800	46.3200	20.7300	46.4300	60.4700	80.6300	34.7100	39.9700	40.4350	35.5900	36.5600	25.9100	31.4700	28.9800
10/09/06	57.9800	23.0300	37.6900	27.8900	59.7200	14.7300	44.6200	43.1900	60.7000	46.4300	20.8900	46.7400	60.6400	81.2000	35.0900	40.1000	40.9050	36.4100	37.1300	26.5700	32.0300	29.6500
10/16/06	58.8100	23.7300	37.8400	28.2400	61.7600	15.2600	45.5900	45.2800	61.0900	47.9000	21.8300	47.8900	62.3100	85.3000	35.7800	40.2100	41.7850	37.8000	37.5500	26.7800	32.4700	30.1900
10/23/06	59.5200	25.4700	38.5800	28.5200	61.7400	15.4100	46.0100	45.0800	60.9500	49.9200	21.8900	48.2300	62.4000	86.4500	36.0300	42.3600	41.4650	37.6900	37.4500	26.9200	32.4700	30.6600
10/30/06	57.8800	25.6900	38.2000	27.6300	62.9000	15.6100	45.4500	47.5600	61.3000	50.9800	21.9400	48.0700	60.9500	84.2600	35.7700	43.0400	41.1650	38.1200	37.6100	26.4800	32.5000	31.0000
11/06/06	59.0600	26.1900	39.6400	27.9200	63.8500	16.0800	45.7200	47.8000	63.4400	52.9900	22.2300	48.3000	60.9500	86.7300	36.0700	44.1800	42.0000	38.0300	37.7200	27.0700	32.5000	31.7400
11/13/06	58.6400	25.9900	39.3500	28.1000	66.3900	16.0000	46.5900	48.1000	65.2500	52.6800	22.6900	47.9900	58.5900	89.3500	36.1400	44.9300	40.7050	37.1300	37.9300	27.8700	33.1700	32.6200
11/20/06	58.9700	25.5500	39.5500	27.9300	66.9800	16.1000	46.4700	47.9400	65.3900	52.8100	22.6900	47.8500	58.5900	89.3100	36.1400	44.9300	42.4450	37.1300	37.7400	27.7500	33.2700	32.6000
11/27/06	60.5300	26.5900	39.2800	28.0900	69.0000	16.2400	46.9500	49.3900	67.2000	53.1600	22.8500	48.2200	61.3900	90.8300	36.3400	45.5100	43.4900	38.4100	38.5600	27.6700	32.9100	32.7500
12/04/06	60.8500	26.1600	39.2100	27.8700	68.0400	16.1800	47.8300	49.0600	66.1200	53.3400	22.8000	47.8300	61.4500	91.2300	36.4600	45.9700	43.8100	39.5300	39.3400	27.7900	32.9200	31.8400
12/11/06	60.8500	26.1400	39.2100	27.9300	68.7400	16.5400	48.5700	50.3000	67.3000	54.9400	23.3200	48.6700	62.6000	92.6000	36.9700	47.3100	43.9750	40.0200	39.4000	27.8600	33.3000	32.2500
12/18/06	60.6800	25.4400	39.4800	27.6600	69.1500	16.4900	47.4700	50.2800	66.4200	54.6600	23.0600	47.7600	61.4300	92.3200	36.8800	46.7700	41.6150	39.3100	38.9200	26.9200	32.5900	31.8400
12/25/06	60.3000	25.6400	40.0000	27.7800	68.8700	16.5900	47.4600	50.6900	66.3800	54.4200	23.0600	48.0700	61.8900	92.3200	36.8800	46.9400	41.5250	38.5400	38.9100	26.7500	32.5800	31.9100
01/01/07	59.1100	25.2400	39.4900	27.5700	70.0200	16.7900	46.9500	50.4600	64.9600	54.3300	22.9800	47.6500	60.3900	91.7600	36.4400	43.9900	38.6950	37.2600	38.8000	26.0900	31.7100	31.6000
01/08/07	57.9900	25.0100	38.5800	28.1600	71.1400	16.8400	46.6500	49.8400	65.4600	53.8500	22.8700	47.3600	59.6500	90.4600	36.2500	45.9300	39.0350	37.9700	39.0000	26.5700	31.9200	31.5000
01/15/07	58.5700	25.3000	38.2200	28.1200	71.2400	16.7200	46.5300	50.4500	66.0000	54.7200	22.9700	47.7400	60.2600	91.0300	36.7300	46.4900	39.2400	38.8100	38.6800	26.4200	31.4200	31.4200
01/22/07	58.9000	25.3000	38.0400	28.6200	71.9200	17.4900	45.9700	46.0500	67.4000	56.0000	23.1700	48.1000	59.1800	91.8800	36.3900	46.0400	39.9550	39.8700	38.7900	26.2400	31.4100	31.2300
01/29/07	60.8400	26.7400	39.3600	29.0700	74.0700	17.5000	47.0900	46.9400	68.1300	57.6500	23.5500	48.4600	60.7500	95.1300	36.3000	46.0400	41.0400	41.1500	41.1500	26.2100	31.5600	31.5000
02/05/07	63.1500	26.2100	40.8400	29.9200	74.1800	17.9500	48.0500	48.2000	71.0000	58.9500	24.0000	49.0300	64.0600	98.1200	36.3900	47.7300	41.0100	41.0100	41.0000	26.4600	31.9800	32.2200
02/12/07	63.0700	26.0900	40.1400	30.6600	75.3100	18.1600	48.3300	48.1500	73.6900	59.2400	24.2600	49.3300	66.9300	100.9500	36.2100	46.4000	39.9400	42.1000	42.0400	26.4300	32.0900	32.8700
02/19/07	63.5100	27.0000	40.1300	30.6000	76.0800	18.2200	48.9500	48.0200	75.1500	59.6400	24.1800	49.3300	66.9300	100.9500	36.2100	46.4000	40.6200	42.1800	42.2300	26.2300	32.5400	32.3600
02/26/07	61.6500	26.1500	37.8300	30.2000	77.8100	17.5000	47.7600	47.3300	73.8700	57.9500	23.2900	48.0600	64.2900	96.2500	35.4000	47.5900	41.2100	41.4100	40.6000	25.2000	31.1100	31.2800
03/05/07	62.2700	26.0300	37.4600	30.2000	80.5000	17.6300	47.8900	46.8200	75.0000	58.0000	23.4300	48.4000	64.4900	97.8300	35.2500	47.7900	42.2750	41.2300	40.4000	25.6100	30.7800	31.1800
03/12/07	63.1100	26.1700	37.4500	29.9900	83.5800	17.4600	47.0000	46.3100	77.3600	59.0000	23.5100	48.6100	65.8900	99.7800	35.3900	48.0100	42.9250	41.1700	40.3000	26.3200	31.7400	31.7400
03/19/07	66.0500	28.7900	38.7100	30.9100	87.6500	18.2000	49.1500	48.3200	81.3400	61.6900	24.5900	50.4200	67.7200	104.0600	36.8500	50.8900	44.6050	43.2600	42.7200	26.3800	31.9800	31.2500
03/26/07	66.2400	28.7400	38.8000	31.0900	86.9500	17.9400	48.5200	48.2300	83.0400	61.1700	24.6900	51.0600	68.7100	104.9200	36.6500	50.8900	44.6050	43.2600	42.7200	26.3800	31.9800	31.2500
04/02/07	66.0500	29.2100	39.0200	31.3400	88.0000	18.4900	49.4000	48.4100	85.1500	61.4000	24.6700	52.0500	71.7000	109.3000	37.2000	53.4300	46.4100	45.6000	43.3500	26.6100	32.1500	31.6200
04/09/07	66.9900	29.7200	38.7400	31.2700	87.2500	18.2700	49.7000	48.7000	86.7600	60.4700	24.5000	51.7900	70.9200	109.7400	37.4500	53.9300	46.8550	46.0700	44.0500	27.0900	32.5400	32.4500
04/16/07	68.8500	30.9700	39.1400	31.4600	90.5000	18.6600	49.7000	49.6800	88.9800	62.2500	24.6600	52.0800	73.2800	113.9000	38.1800	54.5900	46.8500	47.6000	44.1200	27.1400	32.7100	32.2000
04/23/07	69.8800	30.8900	38.5100	31.7600	90.1000	19.0600	49.1200	50.9800	87.4300	63.9000	24.3900	51.8600	73.2800	114.1200	38.1700	56.0800	49.6500	47.6000	44.1200	27.1400	32.7100	32.2000
04/30/07	69.8300	30.1900	38.8400	31.5900	92.9000	19.5700	49.1200	48.9900	89.7500	63.9600	24.1300	51.4200	76.5000	117.2700	37.6100	57.7500	49.4950	47.4900	43.6700	26.8500	34.6400	32.0600
05/07/07	70.8300	30.0900	38.8900	31.1100	94.2300	19.8700	48.4000	48.7500	89.9700	64.5900	23.6700	50.9700	76.5300	118.3700	36.9800	57.9600	49.3650	46.2300	43.4600	26.5800	34.7500	32.0700
05/14/07	71.1800	30.8500	38.2000	30.7000	94.9700	19.5600	49.4300	48.4800	92.1700	65.0700	24.2100	50.9500	78.4500	118.2700	37.3300	58.3400	50.6500	46.2500	43.4500	26.7800	35.1400	32.8200
05/21/07	68.5400	29.5900	36.2900	30.3500	87.6400	18.7100	47.1900	45.4400	86.3900	62.3800	22.9200	48.1200	73.2900	110.9100	35.4700	57.7500	51.8850	45.2200	41.8000	25.9200	34.4100	31.8700
05/28/07	69.3400	30.7700	37.0200	30.7300	90.4500	18.7100	48.4000	46.3000	88.8100	63.3400	22.7600	48.4800	76.6100	112.2700	35.8700	58.6000	53.8250	45.6400	42.5400	26.5900	35.4600	32.4800
06/04/07	65.5300	28.6300	34.4400	28.9700	83.9200	17.5600	45.3700	50.0600	83.2900	58.5100	21.5900	46.9900	70.4600	106.8000	35.6000	55.2100	52.8150	43.9500	40.5300	25.9100	33.3200	30.6600
06/11/07	66.9000	29.1700	34.9200	29.4500	90.0300	18.0600	44.0100	51.3600	88.8300	61.3000	21.8900	47.3700	74.8800	112.3400	35.6100	57.0000	55.4200	43.6000	40.5800	26.9000	33.5000	30.5600
06/18/07	64.7300	28.9400	33.7000	28.0800	85.9400	16.9000	41.2400	48.4600	84.5900	57.9800	20.8900	45.2000	70.8300	105.1800	33.9500	55.0800	53.8400	44.5600	39.8400	24.9000	32.0900	29.8300
06/25/07	64.7300	28.9400	33.7000	28.3400	87.1700	17.4000	44.2300	48.2300	87.7800	56.7400	20.4700	45.1200	72.6000	107.3500	34.2900	54.9400	52.8500	43.3100	40.4800	24.6500	33.4100	30.0600
07/02/07	65.8800	29.0400	35.9800	28.7600	87.8400	17.7900	43.8800	48.6200	90.3800	56.5000	20.4700	45.2100	76.4100	107.2500	34.0800	56.7100	53.1900	43.6600	40.8300	24.7600	32.5600	30.2900

DCF Cost of Equity Estimate
(Continued)

Weekly Stock Prices¹ (\$):

EE	MDU	OGE	DPL	CEG	CNP	WEC	PNW	DTE	PEG	FPL	XEL	ED	EXC	ETR	SO	EGN	STR	NFG	ATG	PNY	WGL	ATO
07/09/07	67.4300	36.5700	29.3600	94.2100	17.8800	44.3700	40.6700	50.9000	92.5000	57.4600	20.9800	46.0900	78.1600	110.2300	34.9700	56.6000	56.0900	44.7500	41.3000	25.2500	33.2600	30.6400
07/16/07	66.6400	36.0000	28.7500	96.2200	17.2300	45.0800	39.7800	50.8900	90.4100	58.0200	20.8700	45.3700	78.8900	106.7600	34.2600	56.4300	57.8000	46.8000	40.3800	24.6600	32.7000	29.8500
07/23/07	69.4400	33.4700	26.9600	84.9100	16.4600	42.9200	38.2700	46.3500	81.4200	54.9200	20.3100	43.6500	69.6200	97.8400	33.7900	52.2000	49.5700	43.5900	37.9000	23.4900	29.9800	28.4500
07/30/07	59.8900	26.7600	26.4300	82.5000	16.0100	43.2600	37.1000	46.2200	82.3900	57.1100	19.8000	43.8700	71.0900	98.5600	33.6200	51.6300	49.0900	43.9000	37.7900	23.3400	30.1400	27.3100
08/06/07	60.2800	31.2000	27.2500	80.5500	16.1700	42.5900	40.6300	48.0400	82.5900	60.2000	20.9100	47.4300	72.8500	97.9900	36.0600	53.1200	50.7700	44.2200	38.3500	26.5400	33.0900	27.8000
08/13/07	62.7500	26.1800	26.4000	83.3000	15.9700	42.8900	40.8400	47.6900	84.0000	60.0000	20.7000	45.9600	71.3200	99.8400	36.0000	52.7300	47.9200	43.2500	37.7900	27.0100	33.6500	27.2300
08/20/07	63.3100	26.4500	26.7500	87.4600	17.0400	44.1400	39.9900	49.0600	87.4500	60.0000	20.9400	46.8000	73.1400	105.1100	36.1200	53.4500	50.7100	45.0000	39.5800	26.9100	33.6400	27.8400
08/27/07	61.4400	27.0500	26.3500	82.9400	16.2200	44.3100	39.8400	47.8100	84.9900	58.8400	20.6100	45.9400	70.6700	103.4200	35.4900	53.7000	49.9700	44.3400	39.7100	26.4000	32.9900	28.1100
09/03/07	61.6000	26.4500	26.5100	83.6500	16.0000	44.6900	39.7300	47.7300	83.3100	58.5900	20.7700	45.5400	73.2600	104.4400	35.3400	53.4000	49.3600	43.7300	39.0100	25.8900	31.9000	27.5400
09/10/07	62.7000	26.4300	26.3500	84.9100	16.1400	44.1500	39.9400	48.7600	85.9300	61.3900	21.0600	46.2600	76.4700	105.7000	36.4000	57.0700	50.6500	44.1000	39.9400	24.9800	32.6000	27.5900
AVERAGE (\$)	62.7538	26.9831	27.2573	28.7896	17.0412	46.3510	45.9771	47.7488	76.5638	56.8948	22.4398	47.9065	67.5450	99.1012	35.9246	50.0154	45.8821	41.9027	39.9708	26.2675	32.5517	30.7504
QUARTERLY DIV. ² (\$)	0.4500	0.1350	0.3330	0.2800	0.1500	0.2300	0.2350	0.5150	0.5700	0.3750	0.2230	0.5750	0.4000	0.5400	0.3860	0.1100	0.1180	0.1000	0.3700	0.2400	0.3380	0.3200
	0.5000	0.1500	0.3400	0.2600	0.1700	0.2500	0.2500	0.5300	0.5850	0.4100	0.2230	0.5800	0.4800	0.5400	0.3860	0.1150	0.1180	0.1000	0.4100	0.2400	0.3380	0.3200
	0.5000	0.1500	0.3400	0.2600	0.1700	0.2500	0.2500	0.5300	0.5850	0.4100	0.2230	0.5800	0.4800	0.5400	0.3860	0.1150	0.1180	0.1000	0.4100	0.2400	0.3380	0.3200
	0.5000	0.1500	0.3400	0.2600	0.1700	0.2500	0.2500	0.5300	0.5850	0.4100	0.2230	0.5800	0.4800	0.5400	0.3860	0.1150	0.1180	0.1000	0.4100	0.2400	0.3380	0.3200
ANNUAL DIVIDEND (\$)	1.9508	0.5500	1.3530	1.6830	0.6600	0.9800	2.1000	2.1050	2.3250	1.6050	0.8990	2.3150	1.7260	2.3700	1.5820	0.4350	0.4820	1.2100	1.6000	0.9800	1.3620	1.2800
YIELD	3.11%	2.04%	3.63%	3.58%	3.87%	2.18%	4.57%	4.41%	3.04%	2.82%	4.01%	4.83%	2.55%	2.39%	4.40%	0.91%	1.05%	2.89%	4.00%	3.73%	4.18%	4.16%
RETURNS ³	8.00%	7.30%	3.33%	9.00%	10.00%	9.32%	4.65%	6.00%	12.40%	9.00%	5.29%	3.95%	9.32%	9.50%	4.69%	8.00%	8.67%	5.94%	5.00%	4.65%	3.33%	5.36%
MSN ⁴	7.60%	7.70%	4.50%	8.70%	16.50%	9.30%	5.30%	5.70%	12.80%	10.30%	4.80%	3.50%	10.50%	12.20%	4.40%	12.08%	8.90%	6.70%	4.50%	5.30%	3.00%	5.30%
VARCO ⁵	8.20%	7.35%	4.00%	6.33%	16.33%	9.04%	5.73%	5.75%	17.33%	9.37%	5.67%	3.45%	9.70%	10.40%	5.02%	5.75%	8.62%	5.17%	4.87%	4.50%	3.33%	5.62%
VALUE LINE:																						
'07 EARNINGS (\$)	4.25	1.70	2.30	1.70	4.65	1.10	2.65	2.14	5.10	3.45	1.40	3.20	3.90	5.55	2.25	0.46	0.49	2.40	2.80	1.45	2.05	1.90
'11 EARNINGS (\$)	5.25	2.00	2.75	1.90	7.75	1.50	3.50	2.90	6.20	4.35	1.75	3.40	5.75	7.00	2.50	0.60	0.55	2.70	3.10	1.70	2.30	2.45
	5.28%	4.06%	4.47%	2.78%	12.77%	7.75%	6.98%	2.87%	4.88%	5.80%	5.58%	1.52%	9.71%	5.80%	2.63%	6.64%	2.89%	2.94%	2.54%	3.98%	2.88%	6.36%
VALUE LINE, "WORKED"	9.00%	5.00%	5.50%	7.00%	14.50%	9.50%	7.00%	4.80%	11.50%	8.50%	5.50%	3.50%	10.50%	7.50%	3.00%	5.50%	5.00%	1.50%	3.50%	4.50%	2.00%	5.50%
VALUE LINE	7.14%	4.53%	4.98%	4.89%	13.64%	8.63%	6.98%	3.43%	8.19%	7.15%	5.54%	2.51%	10.10%	6.65%	2.82%	6.07%	3.94%	2.22%	3.02%	4.24%	2.44%	5.93%
DCF GROWTH ESTIMATE	7.70%	6.72%	4.20%	7.23%	13.15%	12.86%	8.66%	4.51%	12.68%	8.95%	5.32%	3.35%	9.96%	9.69%	4.23%	7.96%	7.53%	5.01%	4.35%	4.67%	3.02%	5.55%
DCF COST OF EQUITY ESTIMATE ¹	10.45%	8.93%	9.69%	10.78%	13.94%	9.56%	10.63%	10.78%	12.51%	10.37%	10.44%	10.38%	10.38%	10.27%	10.37%	7.88%	7.99%	9.29%	10.06%	9.94%	9.74%	10.69%
DCF AVERAGE																						
CAPM COST OF EQUITY ESTIMATE																						
COST OF EQUITY ESTIMATE																						

Sources:
1 moneycentral.com
2 moneycentral.com & Value Line Investment Guide
3 www.investor.reuters.com
4 finance.yahoo.com
5 Value Line Investment Guide

CAPM Cost of Equity Estimate

<u>Date</u>	<u>Close 10Yr Yld (%)</u>	<u>Close 30Yr Yld (%)</u>
09/18/06	4.6000	4.7400
09/25/06	4.6300	4.7700
10/02/06	4.7000	4.8400
10/09/06	4.8100	4.9400
10/16/06	4.7800	4.9000
10/23/06	4.6800	4.8000
10/30/06	4.7200	4.8100
11/06/06	4.5900	4.6900
11/13/06	4.6100	4.6900
11/20/06	4.5500	4.6300
11/27/06	4.4300	4.5400
12/04/06	4.5500	4.6600
12/11/06	4.6000	4.7200
12/18/06	4.6200	4.7600
12/25/06	4.7100	4.8200
01/01/07	4.6500	4.7400
01/08/07	4.7700	4.8600
01/15/07	4.7700	4.8600
01/22/07	4.8800	4.9800
01/29/07	4.8300	4.9300
02/05/07	4.7800	4.8600
02/12/07	4.6900	4.7900
02/19/07	4.6800	4.7800
02/26/07	4.5100	4.6500
03/05/07	4.5900	4.7200
03/12/07	4.5500	4.7000
03/19/07	4.6100	4.8000
03/26/07	4.6500	4.8500
04/02/07	4.6700	4.8700
04/09/07	4.7600	4.9300
04/16/07	4.6700	4.8400
04/23/07	4.7000	4.8900

CAPM Cost of Equity Estimate
(Continued)

<u>Date</u>	<u>Close 10Yr Yld (%)</u>	<u>Close 30Yr Yld (%)</u>
04/30/07	4.6400	4.8000
05/07/07	4.6700	4.8500
05/14/07	4.8000	4.9600
05/21/07	4.8600	5.0100
05/28/07	4.9600	5.0600
06/04/07	5.1200	5.2200
06/11/07	5.1700	5.2600
06/18/07	5.1400	5.2600
06/25/07	5.0300	5.1300
07/02/07	5.2000	5.2800
07/09/07	5.1100	5.1900
07/16/07	4.9600	5.0600
07/23/07	4.7900	4.9500
07/30/07	4.7000	4.8700
08/06/07	4.7800	5.0100
08/13/07	4.6700	5.0000
08/20/07	4.6300	4.9000
08/27/07	4.5400	4.8300
09/03/07	4.3700	4.6900
09/10/07	4.3200	4.6400

Averages:

Last 13 weeks	4.7877	4.9854
Last 26 weeks	4.7892	4.9673
Last 39 weeks	4.7577	4.9128
Last 52 weeks	4.7269	4.8717

4.7654 4.9343

4.8498

10.3890

$$\begin{aligned}\text{CAPM} &= \text{risk free return} + \beta(\text{large company total return} - \text{risk free return}) \\ &= 4.92\% + .7625(6.6\%) \end{aligned}$$

Source: Yahoo.com

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP (\$billion)	Change (\$billion)	Growth%
1929	104.4		
1930	91.90	-12.70	-12.32%
1931	77.00	-14.60	-16.15%
1932	59.10	-17.80	-23.48%
1933	56.70	-2.40	-4.14%
1934	66.30	9.50	17.09%
1935	73.60	7.10	10.91%
1936	84.00	10.30	14.27%
1937	92.20	7.90	9.58%
1938	86.50	-5.70	-6.31%
1939	92.50	6.60	7.79%
1940	101.70	9.10	9.97%
1941	127.20	25.10	25.00%
1942	162.30	33.50	26.69%
1943	198.90	33.70	21.19%
1944	220.10	18.70	9.70%
1945	223.40	2.00	0.95%
1946	222.90	-1.00	-0.47%
1947	245.30	22.80	10.73%
1948	270.60	26.40	11.22%
1949	268.60	-1.20	-0.46%
1950	295.20	27.90	10.71%
1951	341.20	45.10	15.64%
1952	360.30	18.20	5.46%
1953	381.30	20.00	5.69%
1954	382.50	0.90	0.24%
1955	417.20	33.40	8.97%
1956	440.30	22.30	5.49%
1957	464.10	22.80	5.32%
1958	469.80	5.80	1.29%

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP (\$billion)	Change (\$billion)	Growth%
1959	509.30	53.50	11.71%
1960	529.50	20.30	3.98%
1961	548.20	18.70	3.52%
1962	589.70	41.40	7.54%
1963	622.20	32.50	5.50%
1964	668.50	46.20	7.41%
1965	724.40	56.10	8.38%
1966	792.90	69.00	9.51%
1967	838.00	45.00	5.66%
1968	916.10	78.10	9.30%
1969	990.70	73.90	8.05%
1970	1,044.90	54.60	5.51%
1971	1,134.70	90.10	8.61%
1972	1,246.80	112.90	9.94%
1973	1,395.30	149.10	11.94%
1974	1,515.50	118.50	8.48%
1975	1,651.30	131.70	8.68%
1976	1,842.10	192.60	11.68%
1977	2,051.20	211.10	11.47%
1978	2,316.30	265.90	12.96%
1979	2,595.30	281.30	12.14%
1980	2,823.70	231.50	8.91%
1981	3,161.40	335.30	11.84%
1982	3,291.50	129.60	4.09%
1983	3,573.80	276.10	8.38%
1984	3,969.50	396.30	11.10%
1985	4,246.80	270.30	6.81%
1986	4,480.60	229.90	5.42%
1987	4,757.40	287.90	6.44%
1988	5,127.40	370.60	7.79%

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP (\$billion)	Change (\$billion)	Growth%
1989	5,510.60	382.60	7.46%
1990	5,837.90	322.80	5.86%
1991	6,026.30	178.70	3.06%
1992	6,367.40	331.40	5.51%
1993	6,689.30	324.40	5.11%
1994	7,098.40	404.40	6.07%
1995	7,433.40	349.80	4.95%
1996	7,851.90	410.30	5.53%
1997	8,337.30	473.80	6.05%
1998	8,768.30	445.00	5.36%
1999	9,302.20	486.20	5.56%
2000	9,855.90	553.70	5.95%
2001	10,171.60	315.70	3.20%
2002	10,514.10	342.50	3.37%
2003	11,059.20	545.10	5.18%
2004	11,778.90	719.70	6.51%
2005	12,520.80	741.90	6.30%
Average			6.77%

Sources: (1) National Income and Product Accounts (NIPA) from the U. S. Bureau of Economic Analysis and Econostats; BEA Data; NIPA Index; Section 1. Domestic Product and Income Table 1.7.5 Relation of Gross Domestic Product, Gross National Product, Ne